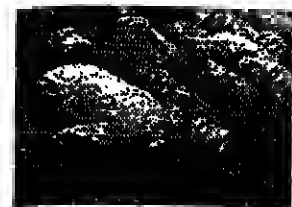
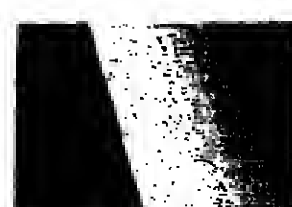


# FINANCIAL TIMES



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**TOMORROW'S Weekend FT**  
The secret cabal that runs Europe

World Business Newspaper

FRIDAY MARCH 10 1995

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## IMF and Yeltsin to finalise \$6.4bn loan for Russia



Michel Camdessus (left), managing director of the International Monetary Fund, will meet Russian President Boris Yeltsin today to finalise conditions for a \$6.4bn standby loan to support economic reform in Russia. The two men are expected to sign a joint policy statement in which Russia will enshrine its commitment to reduce its projected budget deficit and cut monthly inflation to 1 per cent by the end of the year in return for IMF assistance. The monthly inflation rate for February was 11 per cent. Page 22

**S.G. Warburg to shake up US operations:** S.G. Warburg, the UK investment bank whose chief executive resigned last month, is implementing management changes that will bring its US operations under stronger functional control and integrate securities activities. Page 23; Wall St acts to check derivatives, Page 8

**Blow to German telecoms monopoly:** Deutsche Telekom's monopoly on telecommunications services in Germany was shaken when the city of Frankfurt signed a deal with US company Metropolitan Fiber Systems to construct a fibre optic network providing banks and companies in Germany's biggest financial centre with alternative telecoms services. Page 22; \$200m boost to French superhighway, Page 6

**Nintendo and Sega, the Japanese companies** which dominate the video games market, inflate their UK prices through monopolistic practices. Britain's Monopolies and Mergers Commission has ruled. Page 22

**ABN Amro, the Dutch bank** that made an unsuccessful attempt to take over parts of Barings, the collapsed UK merchant bank, posted a 12.9 per cent increase in 1994 net profit. Page 23; Going Dutch on finance, Page 20; Lex, Page 22

**BTR, the UK industrial conglomerate** whose shares fell heavily at the end of last year, announced better-than-expected 1994 figures. Page 23; Lex, Page 29

**Rover chief joins Audi board:** Graham Morris, managing director of Rover Europe, is to become the first British member of the Audi management board when he joins the executive car division of Germany's Volkswagen group as sales and marketing director. Page 23

**Republicans unveil tax package:** Senior Republicans in the US Congress proposed lower capital gains taxes and a \$500-per-child income tax credit as part of a package of tax cuts promised in their manifesto. Page 8

**FBI joins hunt for Karachi killers:** An FBI anti-terrorism team was due to arrive in Pakistan last night to help investigate Wednesday's murder of two US government employees in Karachi, as Pakistani police continued their search for the two unknown gunmen. Page 5

**Italy's centre party set to split:** Italy's centrist Popular party is set to split at a meeting of its executive tomorrow to consider the move by Rocco Buttiglione, its leader, to link up with the rightwing alliance of Silvio Berlusconi. Page 2

**Barclays, Britain's biggest bank,** is returning to South Africa, nine years after leaving because of apartheid. It will focus on cross-border trade, corporate banking and serving the group's multinational clients with local interests. Observer, Page 21

**Outcry over Japanese credit union rescue:** Public outcry heightened over a controversial rescue package for two small Japanese financial institutions as a former president of one of the associations acknowledged his links with opposition party members and Ministry of Finance officials. Page 5

**MPs question moral crusades:** While Britain's tabloid newspapers get their teeth into another government sex scandal, some MPs are expressing concerns that a crusade for moral purity in politicians is out of touch with reality. Page 12

**Bolshevik master quits:** Yuri Grigorovich, the chief ballet master at Moscow's Bolshoi Theatre, has quit in protest against director-general Vladimir Kozlov's leadership.

**Greek pensions protest ends in teargas:** Greek riot police fired several rounds of teargas and scuffled with a group of about 1,000 senior citizens who were demonstrating in central Athens to demand higher pensions.

STOCK MARKET INDICES				GOLD			
New York Composite	5,878.24	(+0.01)		New York Gold	382.4	(280.9)	
Dow Jones Ind. Av.	5,878.24	(+0.01)		London Gold	381.6	(281.4)	
NASDAQ Composite	785.63	(-0.18)					
Europe and Far East							
CAO	1,727.07	(-20.89)					
UK	2,001.64	(-23.57)					
FT-SE 100	2,386.9	(-5.2)					
Nikkei	16,763.08	(+141.77)					
US LUNCHTIME RATES				DOLLAR			
Federal Funds	5 1/8%			New York Composite	5,878.24	(+0.01)	
3-month Treas. Bill	5.880%			Dow Jones Ind. Av.	5,878.24	(+0.01)	
Long Bond	7.01			NASDAQ Composite	785.63	(-0.18)	
Yield	7.59%						
OTHER RATES							
UK 5-yr Interbank	6 1/4%	(6.25%)					
US 10 yr GAT	9 1/8%	(9.125%)					
France 10 yr GAT	9 1/8%	(9.125%)					
Germany 10 yr GAT	9 1/8%	(9.125%)					
Japan 10 yr GAT	10.25%	(10.25%)					
NORTH SEA OIL (Augsburg)							
Brent 15-day (Apr)	\$16.675	(16.75)					

## Rubin moves to deter speculators ■ European banks signal support

# Traders halt attack on dollar

By Peter Norman and Philip Gawth in London

The dollar had a respite from attack and the turmoil in the European Monetary System subsided yesterday as an internationally co-ordinated jawboning campaign to deter currency speculators entered its second day.

The US Federal Reserve Bank, the treasury secretary, to sell the message that Washington wants a strong dollar. He told the US National Newspaper Association that the Clinton administration "believes a strong dollar is in America's national interest".

Increasing the administration's verbal support for the dollar, Mr Rubin said the administration was "fully committed to the sound monetary and fiscal policies necessary for sustained

growth, low inflation, a strong and stable dollar and maintenance of the dollar as the world's principal reserve currency".

He said US policy was to "intervene when it makes sense". The US was consulting with allies in the Group of Seven leading industrial countries, he said.

Mr Rubin's remarks came less than 24 hours after similar efforts by Mr Alan Greenspan, the Federal Reserve Board chairman, and followed more supportive comments for the dollar currency from European officials and politicians yesterday.

The governors of the French and Swiss national banks said they thought the dollar's recent weakness had been exaggerated. In Europe, the verbal offensive included renewed support for economic and monetary union

underpin the US currency.

In Germany, where Mr Hans Tietmeyer, the Bundesbank president, suggested that next week's Bundesbank council meeting would study the options of lowering or raising interest rates, commentators were doubtful policy would be eased to relieve strains on the currency markets.

In the EMS, however, Ireland yesterday raised its short-term interest rates by half a percentage point, becoming the fifth member of the exchange rate mechanism to move to protect its currency this week.

Although currency trading remained busy yesterday, price movements were less volatile than earlier in the week. Analysts said the market was nervous following the recent sharp changes, with investors and trad-

ers unsure whether the D-Mark could sustain its upward move.

The dollar finished in London at DM1.3904, up from DM1.3865, on Wednesday. Worries about Mexico pulled it off its high in Europe for the day of DM1.4150. Against the yen it was little changed at ¥90.515 from ¥90.645.

The D-Mark firmed against most European currencies, but was below its highs of earlier in the week. Sterling traded in a narrow 1 1/4-penny range, finishing at DM2.2508 from DM2.2494. It closed slightly lower against the dollar at \$1.6183, from \$1.6235.

In London, Mr John Major, the prime minister, told parliament he saw no prospect of the pound returning to the ERM "for some time".

Currencies, Page 35

## Mexican, Brazilian currencies under new pressure

By Leslie Crawford in Mexico City and Angus Foster in São Paulo

Latin American currency markets were in turmoil again yesterday as the Mexican peso plunged new lows against the dollar and Brazil's central bank was forced to intervene to support its currency.

The Mexican currency slumped to 7.60 against the dollar in mid-day trading, against 6.99 on Wednesday's close. The government was forced to deny rumours that it intended to suspend full convertibility of the peso, which has now lost 55 per cent of its value since devaluation on December 20.

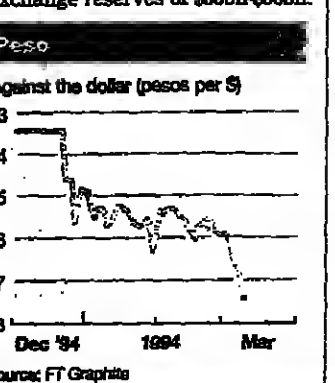
Brazil's central bank intervened at least 20 times yesterday in a bid to support its currency. But the Real, which has been under attack since a two-step devaluation was announced on Monday, remained stubbornly close to its permitted floor of 90 centavos to the dollar.

The peso's decline came even as short-term interest rates rose. The benchmark rate on 28-day Cetes rose by 8.28 per cent on the previous week to 57.99 per cent. Interbank rates rose to just below 75 per cent, which bankers believe will accelerate the risk of large-scale loan defaults.

"We are drowning in boiling water," said the director of one of Mexico's leading banks. "The situation cannot hold for long." The finance ministry and Bank of Mexico yesterday promised to announce a new economic programme "very shortly", and officials denied that the new programme contained restrictions on the convertibility of the peso.

In Brazil, the central bank sold dollars in the interbank and commercial foreign exchange markets. Exchange rate uncertainty weighed heavily on the market and the Bovespa index fell 6.2 per cent by early afternoon.

The central bank has not said how much it has spent defending the Real this week, but traders say the total could exceed \$2bn including contracts for future dollar sales. This compares to Brazil's estimated foreign exchange reserves of \$35bn-\$36bn.



Source: FT Graphite

## Welcome for Queen Elizabeth on Belfast visit



Six months into the IRA ceasefire, Queen Elizabeth II speaks to construction workers at Lagan Bridge, which she formally opened at the start of her visit to Belfast. In Armagh, Ireland's ecclesiastical centre, she spoke of her hopes for the future in a province free of violence. Picture: Reuters

## Sinn Féin leader to meet Clinton on US fund-raising visit

By Jurek Martin in Washington, John Murray Brown in Dublin and John Kampner in London

Mr Gerry Adams, Sinn Féin leader, is to meet President Bill Clinton next week at a White House reception on St Patrick's day after being granted a three-month US entry visa.

Mr Adams will also be allowed to engage in fund-raising activities while in the US after Sinn Féin, the IRA's political wing, promised proceeds would be used for peaceful political purposes and not to buy arms, a senior US official said yesterday.

The decision came as the Queen marked six months of peace in Northern Ireland by visiting the province for the first time since 1993.

British officials said the US decision was "irritating" and expressed disappointment at Mr Clinton's invitation. Earlier this week, Sir Patrick Mayhew, UK Northern Ireland secretary, said in Washington that he hoped Mr Adams would be barred from fundraising, and he warned it would be "disarming" to British public opinion if he were pictured shaking hands "with the president of the greatest democracy on earth".

Mr Clinton decided to grant Mr Adams a visa on Wednesday if

Sinn Féin made clear that the decommissioning of IRA weapons was on the agenda for future talks with British ministers.

That assurance was provided yesterday when Mr Adams said in Belfast that there could not "be a single issue agenda and no issue, including decommissioning, should be excluded from these discussions".

This is the first time the Sinn Féin leader has conceded that decommissioning will have to be tackled in the talks with ministers.

Sinn Féin had insisted that the weapons issue could only be addressed as part of an overall settlement.

An Irish government spokesman said the government "welcomed Sinn Féin's acknowledgement that it has a role to play in the issue of the decommissioning of weapons... the war is over".

The UK prime minister's office reacted cautiously to Mr Adams' statement about decommissioning, saying it would have to be considered very carefully.

The British government's position remained that ministers would not engage in face-to-face talks until Sinn Féin gave a commitment to serious discussions about decommissioning that led

Continued on Page 22

## Yen's rise forces up Japanese computer chip prices

By William Dawkins in Tokyo

Japan's top two semiconductor producers yesterday warned they were considering an increase in their dollar-denominated export prices to the US to compensate for the impact of the recent rise of the yen.

NEC and Toshiba, providers of 14.5 per cent of the world's semiconductor chips, gave the warnings as Kyocera, the world's largest producer of ceramic packages for integrated circuits, announced a 10 per cent export price rise, taking effect from next month.

Mr Kazuo Inamori, Kyocera's chairman, called on all Japanese exporters to join his company in lifting export prices. He argued that this would damage Japan's export competitiveness initially, but help reduce the trade surplus and put a lid on the yen.

The moves highlight the impact of the yen's strength against the dollar on Japanese exporters. The yen hit ¥88.70 in Asian trading earlier this week, prompting Mr Takeshi Nagano, chairman of the Japan Federation of Employers' Associations, to warn: "With the dollar below ¥90, Japanese industry has entered a crisis."

The planned price increases would squeeze margins at international computer companies and other electronics manufacturers, at a time when world demand for memory chips is rising rapidly. The two leading suppliers' example could also ease the way for similar price rises across the Japanese semiconductor industry, which has 42 per cent of the world market.

Kyocera's 10 per cent price rise roughly matched the increase in the yen's value since the company last set its export prices on the assumption that the Japanese currency would stay at ¥100 to the dollar. The closing rate in Tokyo yesterday was nearly ¥92 to the dollar.

Company officials said 36 per cent of Kyocera's turnover was from exports last year, which made it particularly vulnerable to the recent yen rise. They said profitability could no longer be

Continued on Page 22  
Editorial Comment, Page 21

This announcement appears as a matter of record only

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NEWS: EUROPE

# EU settles Europol differences

By Lionel Barber in Brussels

European Union ambitions to establish a cross-border European police intelligence agency took a further step forward yesterday, raising hopes of a deal at the European summit in Cannes in June.

At a meeting in Brussels, EU interior ministers removed obstacles to creating Europol. The agency will have powers to collect and analyse criminal intelligence outside the control of national police forces.

Mr Charles Pasqua, the hard-line French interior minister who chaired the meeting, said: "We have had decisive progress in the convention setting up Europol."

France has long held reservations about handing over high-grade intelligence on suspected drug traffickers, terrorists or organised crime gangs to a cross-border agency

such as Europol.

But Paris has recently relaxed its stand under pressure from Germany which is pressing for wider co-operation to tackle cross-border crime such as car theft.

Mr Pasqua singled out agreement on a general information system, index and analysis, and the inclusion of terrorism within Europol's domain after two years. Access will be handled through national liaison officers, with disputes settled under a conciliation procedure.

However, the question of data protection, including rules governing the rights of citizens to gain access to files, remains unresolved. It is expected to be raised at an informal ministerial meeting in Paris next month.

Diplomats cautioned that sensitive issues such as Europol's accountability to the European Parliament, Court of Auditors and European Court of Justice remain unresolved.

Until the convention making Europol operational is finalised, the Hague-based agency's remit is limited to a handful of areas such as stolen cars and trafficking in drugs, people and nuclear materials.

Ministers moved briskly through business yesterday under the guidance of a firm but more enigmatic Mr Pasqua, wrapping up a deal on rules providing for minimum guarantees for asylum seekers.

But the question of arranging a fairer distribution of refugees in the EU proved harder to crack, with Germany complaining it is bearing an unfair share of the burden.

Today, justice ministers will adopt a convention on simplified extradition, the first to be adopted within the "third pillar" of Maastricht which is the new process whereby the 15 member states are acting in concert to tackle immigration and cross-border crime.

# Berlusconi tie-up may split centre party

By Robert Graham in Rome

Italy's centrist Popular Party (PP) is likely to split at a special meeting of its national executive tomorrow to consider the move by Mr Rocco Buttiglione, its leader, to link up with the right-wing alliance of Mr Silvio Berlusconi.

The impending break-up of the PP comes amid renewed uncertainties over the ability of the government of Prime Minister Lamberto Dini to obtain a majority in the chamber of deputies for its 130,000bn (\$12bn) mini-budget, designed to reform public finances and boost the economy and the damaged lira. It

also adds extra momentum to the move by all the political parties to link up with one of two broad alliances on the left and right. The PP decision on Wednesday to ally with the former prime minister caught party members by surprise.

But in less than 24 hours surprise had given way to anger and dismay as members realised the party, heir to the discredited Christian Democrats, risked extinction.

The main opposition from within the PP comes from those who oppose any partnership at a national level with Mr Gianfranco Fini's rightist National Alliance. This is because the National Alliance

has yet to distance itself sufficiently from the neo-fascist MSI, which was wound up last month. Less than two weeks ago Mr Buttiglione said links with the National Alliance were impossible because at a local level the old MSI was still too influential.

However, Mr Buttiglione was unrepentant yesterday, refusing to accept criticism that he had kept his colleagues in the dark about his negotiations with Mr Berlusconi. His associates argued the electoral system, with 75 per cent of seats allocated on a first-past-the-post basis, forced parties in the centre to choose between one of two broad coalitions

on the right or left.

Mr Buttiglione, they said, would never have been happy with an alliance on the left, dominated by the former communist Party of the Democratic Left (PDS). Nevertheless, Mr Buttiglione has much explaining to do - not least why he was instrumental, with the populist Northern League, in tabling a no-confidence motion last December which forced the Berlusconi government out of office.

It is unclear how many will follow Mr Buttiglione's line. In the majority of the 15 regions alliances between the PP and the PDS are already in an advanced stage of formation

ahead of the April 23 regional elections. The majority of the PP's 33 deputies are unlikely to back him and he could become a general without troops, manipulated by the more powerful Mr Berlusconi.

Despite his impending move to the Berlusconi camp, Mr Buttiglione insisted he would still back the Dini government's mini-budget in parliament. Mr Berlusconi and his allies have since last Friday pledged to vote against it.

If the PP breaks up on Saturday before next week's vote on the package of financial measures, this could once again place doubts about the Dini government.

# EBRD lends more but profit is down

By Anthony Robinson, East Europe editor

The European Bank for Reconstruction and Development (EBRD) last year sharply increased spending and agreed higher future investment in projects throughout former communist Europe, Mr Jacques de Larosière, the bank's president said yesterday.

The bank, set up in 1991 to help finance the development of private companies and the market economy in the former Soviet bloc, made an Ecu1m (\$1.3m) net profit, down from Ecu4m in 1993. Operating profits before provisions dropped to Ecu25m from Ecu44m. General administrative expenses, for which the bank was severely criticised in 1993, fell by 1 per cent last year to Ecu134.6m, below the 1994 budget provision.

Last year was the first full year under the leadership of Mr de Larosière, the former managing director of the International Monetary Fund. His predecessor, Mr Jacques Attali, was removed in 1993 after complaints of over-spending on the bank and under-spending on projects. Unveiling the 1994 results in London yesterday, Mr de Larosière said that the bank had "laid a solid foundation for further development and expansion" in its fourth year of operation.

The bank's signed loan and equity investment portfolio rose last year by 74 per cent to Ecu1.88bn, while the value of net disbursements increased 43 per cent to Ecu581m.

Last year 109 projects costing Ecu2.41bn were approved, bringing the total to 251 in 24 of the 25 countries covered by the bank's remit. Co-financing deals in 43 of the projects mobilised external funds of Ecu944.3m, the bank added.

One of the bank's highest priorities is to help privateise and restructure the financial sector in eastern Europe. Last year, the bank became involved in 44 new financial sector projects totalling Ecu227.8m, more than in any other sector.

# Kozyrev pledge on mediators for Chechnya

By John Thornhill in Moscow and Bruce Clark

Mr Andrei Kozyrev, the Russian foreign minister, yesterday assured senior European politicians that his country would accept a long-term mission by international mediators to the war zone in Chechnya.

The promise, to the foreign ministers of France, Germany and Spain, appeared to open the way for approval of a trade pact between the European Union and Russia, which the EU has held up in protest over Russian actions in Chechnya.

However, the mandate of the proposed mission by the Organisation for Security and Co-operation in Europe was still unclear, and there were doubts about how effective it could be unless there is a durable ceasefire.

Mr Kozyrev said Moscow had agreed to the OSCE exercise because it did not want Chechnya to become a barrier to its relations with the rest of the world. "We believe in the need for the expansion, not restriction of international co-operation, because this co-operation promotes economic and political reforms," he said.

President Boris Yeltsin also

assured the visiting ministers that he was determined to "settle the Chechen crisis by political methods, establish democratic law in the Chechen republic and conduct free elections."

EU foreign ministers have said they are willing to reactivate the stalled trade accord with Moscow at their next formal meeting in April, as long as they receive satisfactory assurances over Chechnya.

Mr Alain Juppé, the French foreign minister, balanced criticism of the Russian army's behaviour in Chechnya with statements of broad support for Mr Yeltsin. He said the EU was "more determined than ever to promote economic and democratic reforms in Russia in a spirit of partnership."

Diplomats familiar with the work of the OSCE said they doubted that it could have much effect unless the Russian and Chechen forces decided to lay down their weapons.

Small OSCE missions already operate in two ex-Soviet war zones - Moldova and the breakaway Georgian region of South Ossetia - with loosely defined tasks such as "facilitating the establishment of a political framework for dialogue" between the conflicting



From left, the foreign ministers of Germany, Russia and France, Klaus Kinkel, Andrei Kozyrev and Alain Juppé take a stroll during their meeting in Moscow yesterday

parties. In both those regions, however, a ceasefire was well established before the OSCE's representatives moved in.

In the case of Chechnya, the 53-member organisation may also be given notional responsibility for easing the work of humanitarian relief.

Yet long-established humanitarian agencies such as the Red Cross, with far greater experience of delicate diplo-

matic missions in war zones, complain that they have been unable to secure access to prisoners of war or even negotiate the exchange of corpses.

During their talks in Moscow, the EU ministers were also expected to touch on the deteriorating situation in former Yugoslavia.

Russia's views on the conflict have in recent weeks diverged considerably from

those of its western partners in the contact group.

Moscow is understood to feel that Serbia should be given early relief from sanctions in return for recognising a loosely structured Bosnian state, in which the Serb zone would be guaranteed the right to confederal links with Belgrade. Western governments feel the conditions for easing sanctions should be tougher.

# How far do you have to go to see industrial innovations from 60 countries?

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Electric Automation Technology	Power Transmission and Control	Energy and Environmental Technology	Plant Engineering	Factory Equipment and Tools	Subcontracting and Industrial Materials	Research and Technology	Lighting Technology	Partner Country Indonesia
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## EUROPEAN NEWS DIGEST

## Croatia rethink on UN force

President Franjo Tudjman of Croatia appeared last night to be close to reversing his decision to expel 12,000 United Nations peacekeepers from his country, according to the Croatian state news agency.

Mr Tudjman's decision not to renew the UN mandate, which expires at the end of this month, had heightened fears of a renewed Serbo-Croat war. UN officials yesterday welcomed Mr Tudjman's shift, while they remained cautious on the prospects for peace. "Croatian public opinion is being prepared for a turnaround by Tudjman," said a UN official. "But we are not out of the woods yet," he added.

Croatia is considering acceptance of a revised UN mandate, which might provide for a reduced force of 4,000-6,000 peacekeepers. While most of the UN peacekeepers are now deployed on the confrontation line, the compromise envisaged by Zagreb would deploy most UN forces on the republic's borders, with only a token force manning the former battle line. But Kraljina Serbs oppose any change of the UN mandate. In particular, the deployment of troops on Croatia's borders. This would isolate their mini-state from other Serb territories. Mr Milan Ralbic, a Kraljina Serb leader, warned "any substantial change is out of the question".

Mr Vukobratovic, senior UN envoy to former Yugoslavia, yesterday warned that Bosnia's rival armies were preparing for more war, making a mockery of a ceasefire agreement due to expire on May 1. *Laura Silber, Belgrade.*

## Bundesbank board jobs change

Portfolio responsibility in the Bundesbank board has been partially reshuffled to accommodate an eighth member, Mr Peter Schmidhuber, who joined the board on March 1, a Bundesbank spokesman said yesterday.

Mr Schmidhuber, a former EU commissioner, will take over a new department dealing with law, administration and construction. The Bundesbank president, Mr Hans Tietmeyer, formerly had jurisdiction over the legal department and another board member, Mr Gerd Häusler, handled administration and construction.

Mr Häusler is taking over a new department, currency trading and investments, which previously had been managed by Mr Helmut Schleber as part of the "foreign" department. Mr Schleber would in future run the department for "international currency issues, organisation and agreements", the spokesman said. *Reuter, Frankfurt.*

## SPD urges bribery taxation

German companies will no longer be able to offset bribes paid to officials against tax if a draft legislation proposed by the opposition Social Democrats is passed by parliament. The draft law, which was presented yesterday by Ingrid Matthäus-Maier, the SPD's deputy parliamentary floor leader, is aimed at closing a gap between German criminal and tax law. Under this loophole, companies can currently deduct bribes as business expenses. The law merely requires them to give the tax authorities the name of the person accepting the bribe. This is to ensure that the recipient of the bribe can be correctly assessed for tax, with the bribe included, rather than to prosecute him.

Ms Matthäus-Maier described the current situation as "an unacceptable violation against the sense of justice" which was carried out to the cost of honest tax-payers. The number of cases of public officials prosecuted for corruption has risen drastically in recent years. In the city of Frankfurt alone the number of such cases rose from 900 in 1991 to more than 1,400 last year. In Munich during the same period the number of such cases rose from 30 to nearly 600. *Frederick Stilleman in Berlin.*

## Ireland reduces interest rates

Ireland's central bank yesterday raised its key interest rate by 0.5 percentage point, in a move to bolster the punt and see off the turbulence which has gripped currency markets since the start of March. It was the second rise in a week in the central bank's short-term facility, the rate at which the bank lends to commercial banks. Banks and building societies could now raise lending rates by more than 1 per cent. The move, which took dealers by surprise, failed to stabilise money market rates, with the key one-month rate rising to 7 1/2 per cent. The Irish economy minister, Mr Ruairi Quinn, said the interest rate increase was aimed at maintaining the punt's relative position in the European exchange rate mechanism. *John Murray Brown, Dublin.*

## Dutch right wins regional polls

The right-wing Liberals, one of three parties in the ruling right-left Dutch coalition, won strong support in Wednesday's provincial elections to become the biggest party in the Netherlands. Mr Frits Bolkestein, the Liberal leader, said his party's electoral victory would have no effect on the national coalition. The Liberals captured 27.2 per cent of the vote, up from 15.7 per cent in the provincial elections of 1991. Labour, the senior coalition partner, saw support fall to 17.1 per cent from 30.4 per cent, while the third coalition party, the left-of-centre D66, suffered a decline in support to 9.2 per cent from 15.6 per cent. The Christian Democrats, knocked out of government at the national level in the May general election, won 22.9 per cent of the vote, down sharply from 32.6 per cent four years ago, but a slight improvement from the 22.2 per cent support in May. *Ronald van de Krol, Amsterdam.*

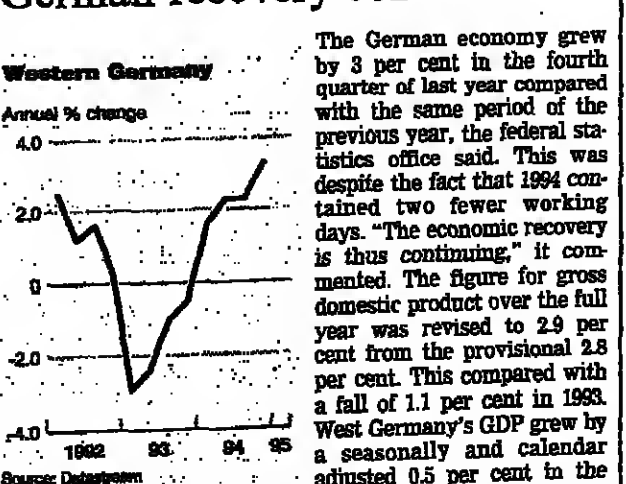
## BBC World Service changes

BBC World Service radio is about to launch its most radical scheduling changes since the days of the old Empire Service in the 1950s in a bid to increase audiences and keep satellite television news channels at bay. The style will stay the same and such "trademarks" as the Lilliburner music that introduces the news and the chiming of Big Ben will remain.

But for first time the single English-language programming from London will be broken up into five separate streams in different regions of the world to make scheduling more sensible across different time zones. The scheduling changes begin next month. *Raymond Snoddy, London.*

## ECONOMIC WATCH

## German recovery continues



The German economy grew by 3 per cent in the fourth quarter of last year compared with the same period of the previous year, the federal statistics office said. This was despite the fact that 1994 contained two fewer working days. "The economic recovery is thus continuing," it commented. The figure for gross domestic product over the full year was revised to 2.9 per cent from the provisional 2.8 per cent. This compared with a fall of 1.1 per cent in 1993. West Germany's GDP grew by a seasonally and calendar adjusted 0.5 per cent in the fourth quarter over the third quarter and was 2.5 per cent higher year-on-year. Growth was mainly propelled by exports, up by 9 per cent in west Germany in the fourth quarter over the same period of the previous year, and construction (up 9.6 per cent, helped by a mild winter). But personal consumption, by far the highest component of GDP, eased by 0.1 per cent in the fourth quarter from a year earlier. In east Germany, fourth quarter growth was 9 per cent over the previous year's period; the full-year growth rate for 1994 was revised to 9.2 per cent from 8.9 per cent. *Andrew Fisher, Frankfurt.*

## The factory Russian reformers fear to close

Chrystia Freeland reports on the battle to save a former flagship of Soviet industry, the Zil car plant

In the glory days of the Soviet Union, a sleek black limousine produced by Zil was most prized symbol of status within the communist *nomenklatura*. Now that communism has collapsed, Russia's new entrepreneurial elites prefer to flaunt their dollars by driving imported Mercedes and BMWs and the Zil assembly line is at a standstill.

Zil, now in the midst of its third work stoppage this year, has been transformed from a flagship of Soviet industry into a sad example of the failure of Russia's economic reforms to turn around the country's manufacturing sector. The factory, which produced 250,000 trucks at its peak, last year turned out just 26,500. The workforce, once 120,000 strong, has dwindled to 70,000, not through an intentional programme of restructuring, but because Zil often fails to meet its wage bill.

What is happening at Zil is happening at all big enterprises throughout Russia," said Mr Alexander Vladislavlev, a prominent centrist political figure with a talent for publicity who was ousted as president of

the company last month after his rescue plan was rejected by shareholders. "During the first stage of privatisation, controlling stakes in companies were sold for symbolic sums of money," Mr Vladislavlev said. "Formally, privatisation took place, but new owners, in full control of the companies and able to make investments, have not emerged."

Two private companies, Microdin and Oneximbank, together own 26 per cent of Zil, but control 35 per cent of voting shares, the largest single bloc. In addition the government, which is represented on Zil's board by Mr Yuri Luzhkov, the controversial and powerful mayor of Moscow, holds a 12 per cent stake.

Zil's problem is that neither the private shareholders nor the state have come up with the large capital investment necessary to put the factory on a competitive footing in the new conditions of a market economy which are tenuously taking hold in Russia. Mr Vladislavlev estimates the sum needed as more than \$50m. These difficulties are com-



The Zil, a former Soviet status symbol, is stuck in reverse

including apartment blocks and social infrastructure for its workers, attached to the faltering industrial behemoth. But, like all of the highly valuable land within Moscow, that real estate is at the centre of a political battle.

Russian President Boris Yeltsin, in one of the government's periodic efforts to bail out Zil, has ordered all the land to be given over to the complete ownership of the factory and Mr Koch says that selling some of the land could be a source of much needed capital. But Mr

Koch says that Moscow city hall, which has defied the national privatisation programme and retained ownership of most land within the city, refuses to hand over the valuable real estate to Zil.

"Instead of trying to take over the factory, Moscow should help Zil in another way — by giving it the land," Mr Koch said. "With regard to the land, Luzhkov refuses to give it to Zil, he is just leasing it." In the wake of Mr Vladislavlev's ousting in February, Zil's snakes' nest of problems has

been entrusted to Mr Valery Saikin, an engineer who has spent most of his career at the plant. Mr Saikin is described as a classical Soviet industrial manager. Moulded by the days of central planning, Mr Saikin is a man who prefers the nuts and bolts of the assembly line to the balance sheets and public relations.

"Saikin is cut from a different cloth, he is a classical director who cares about his factory, suffers for it, gets nervous. He's a great engineer," Mr Koch says. "The problem is that he needs new financial directors, new PR men. If Saikin does not understand this, his shareholders will tell him."

Like Mr Vladislavlev, whose rejected rescue plan was based on a second share issue to raise additional capital, Mr Saikin hopes to rescue Zil by diluting the shares of the current owners and launching a second share issue. With the help of the European Bank for Reconstruction and Development, Mr Saikin is cobbling together a plan for a second share issue and plans to present it to a shareholders meeting on April 2.

## German engineering pay deal angers employers

By Michael Lindemann in Bonn

The 3.8 per cent pay deal for Germany's engineering workers yesterday came under fire from employers.

The criticism came as the chemicals industry agreed a 3.9 per cent rise over 13 months.

The pilot agreement in the state of Hesse is likely to be adopted for 630,000 chemical workers nationwide and envis-

ages a one-off payment of about DM220 (\$157) for February and a 3.8 per cent rise for the year from March.

Mr Dieter Bunt, the chairman of the engineering employers in the state of Baden-Württemberg, said pay deal agreed this week had been "heavily criticised" by members of his association.

He said his association, which employs 600,000 engineering workers, was not sure

whether it would accept the deal negotiated in the neighbouring state of Bavaria and which is supposed to be adopted by the whole of the German engineering industry.

The IG Metall engineering union meanwhile yesterday pulled its members in Bavaria on the wage deal, saying it expected strong backing for the settlement which would bring an end to the first strike in the German engineering

industry since 1984.

The engineering agreement is a benchmark for wage deals across Germany industry where settlements are negotiated on a sector-by-sector basis. Workers in the insurance industry secured a 4 per cent wage rise while a 3.6 per cent deal was agreed yesterday for 35,000 wood processing workers.

That leaves two big unions, the public sector and the con-

struction workers, yet to agree a deal. The powerful OTV public sector union with 1.8m members, which begins talks later this month, is likely to demand a 6 per cent pay rise while the construction workers have said they want 6.5 per cent because their industry has been more profitable than other sectors in the economy.

The engineering deal, which may force the Bundesbank into an earlier decision to raise interest rates, had pushed chemical industry employers to offer a higher wage rise than they would have liked.

The sharpest criticism, however, came from the engineering industry executives who privately said they were furious about the engineering industry wage rise. "They are completely mad," one executive said, referring to the employers' association.

## Van Miert threatens shipping rates pact

By Caroline Southey in Brussels and Charles Batchelor in London

Mr Karel Van Miert, the European commissioner for competition, yesterday threatened to impose fines on shipowners whose agreements to set cargo rates flout European Union competition rules.

Mr Van Miert said the Commission had taken "an attitude of restraint" towards shipowners but unless progress was made, it would lift their immunity from fines.

Shipowners have enjoyed exemption from EU cartel rules because their collaborative arrangements have traditionally been viewed by Brussels as benefiting their customers. But the Commission now believes some recent arrangements have damaged customer interests.

The Commission is seeking changes to the Trans-Atlantic Conference Agreement (TACA), a "conference" of shipowners which sets rates for shipments across the north Atlantic. TACA was introduced in October last year as a modified version of the Trans-Atlantic Agreement (TAA) which had set cargo rates and capacity limits.

Membership of TACA includes Maersk, Nedlloyd, A.P. Moeller and Hapag-Lloyd and was formed to put an end to large losses on the north Atlantic routes.

P&O, the British shipping group and a member of the TACA conference, said Mr Van Miert's statement had been expected for some time.

But the real test of the Commission's modified position will come when the European Court rules on a Commission decision to restrict TACA's rules on the landward section of a journey, from factory to port. Last year the Commission sought to remove TACA's authority to set rates on landward sections of a journey. Shipowners took the matter to the European Court, which is expected to announce its decision soon.

Mr Van Miert's comments were welcomed by shippers' organisations, which comprise the big customers. "Even in its amended form the TACA is not acceptable to shippers," said Mr Martin Richards, shipping director of the UK Freight Transport Association. "We will accept nothing less than totally free, unfettered agreements between individual shipping lines and their customers."

Mr Van Miert emphasised that the commission was "not looking for conflict" and that it might still be possible to reach agreement. But he said two years of talks had failed to bridge the gap.

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## NEWS: EUROPE

## Strong on dreams, weak on digits



## FRENCH ELECTIONS

April 23/May 7

The French electorate now knows who the main presidential candidates will be, and at least on the economy, the main battleground, what their positions are. The definitive list of candidates will be set only on April 7, two weeks before the first round of voting. But the decision this week by former President Valéry Giscard d'Estaing and his former prime minister, Mr Raymond Barre, to follow Mr Jacques Delors in ruling themselves out of the race leaves only the "big three" - prime minister Edouard Balladur, Mr Jacques Chirac, and Mr Lionel Jospin - in close contention.

The publication of Mr Jospin's programme this week means that rough comparisons are now possible on what they are offering French voters. However, the choices are not very clear, for two reasons. One is the absence of a clear-cut left-right divide. While Mr Jospin is patently on the left, his two rivals are gaulist, and gaulist economics, particularly in the hands of Mr Chirac, tend to wander all over the ideological spectrum.

The second reason is French presidential candidates deal more in dreams than digits, and tend to consider it beneath the dignity of the office they seek to set out anything as mundane as detailed costings of their economic proposals. Mr Jospin has attached no price tag to his proposals. Mr Balladur did cost his proposals, at an extra FF125bn (\$25bn) over the seven years of a presidential term, but was promptly attacked by the Chirac camp for behaving like a pedestrian accountant or, even worse, the mere prime minister that he is.

Goaded by this, and the partly founded suspicion that Mr Chirac is trying to get away with looking as generous as Mr Jospin on the spending side and as restrictive as Mr Balladur on the revenue side, the

## David Buchan on the economic policies of the 'big three' in the race for the Elysée

Balladur camp took it upon itself to cost the Chirac cornucopia as amounting to an extra FF500bn-FF600bn over seven years. To arrive at this mega-bill Mr Chirac was even implicitly accused of trying to halt privatisation, when in fact only Mr Jospin has called for a switch in the use of privatisation receipts, from deficit to debt reduction.

Unemployment. All three give high priority to bringing down the record jobless rate, stubbornly stuck at 12.6 per cent despite two years of recovery and an estimated 3.5 per cent growth this year. None has made a numerical pledge, though Mr Balladur says he hopes to reduce unemployment by 200,000 a year.

But the prime minister's commitment to creating jobs is, in the eyes of his rivals, weakened by his near-equal commitment to mastering public deficits. This is key, he says, to lowering taxes, welfare charges and interest rates, and eventually unemployment.

Mr Chirac turns this equation on its head. "Do not forget that the deficits will not be mastered until unemployment, which costs us so dear, has been beaten." All three propose some further reduction in the welfare payroll taxes which, accounting for 41 per cent of total French labour costs, have long been recognised as the main culprit for pricing younger and lower-skilled workers out of jobs.

They all propose to shift the welfare burden more to the taxpayer and the state budget. The argument is over the pace of this shift. Mr Balladur is the most gradualist, but even his plan would load an extra FF60bn on to the budget over

seven years. Mr Chirac is more ambitious, because he would not only exonerate employers from charges if they hired the young and long-term unemployed but also give them a monthly payment for doing so.

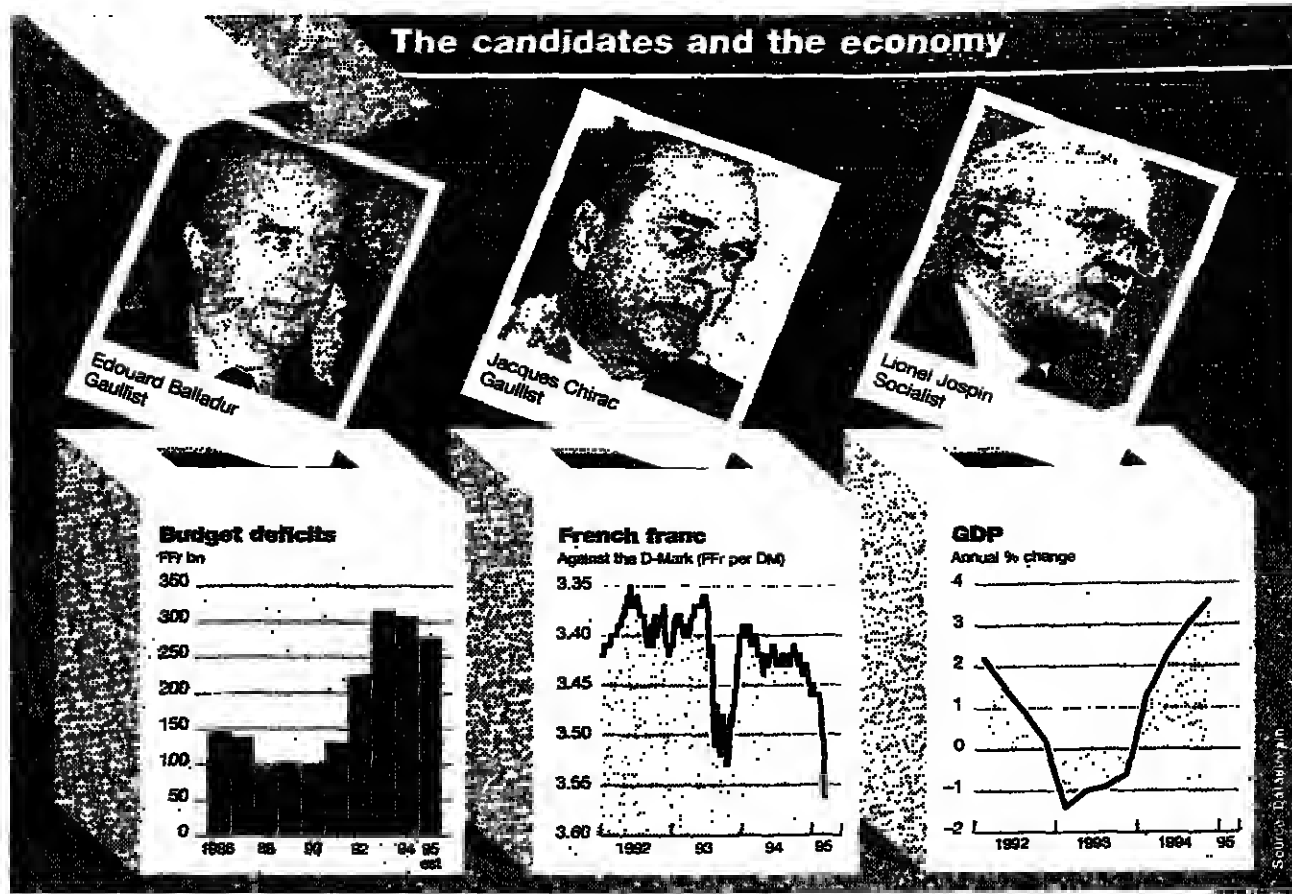
For his part, Mr Jospin wants to create jobs by shortening working hours, to the extent of reducing the work week from 39 to 37 hours by 1997, and proposes make-work schemes to clean up urban blight and the environment. Salaries. This is a curious electoral issue in an ostensibly free market economy where the state does not control private sector pay. But it has become an issue because, partly by holding down wages in recent years, French companies are now generally back in profit and most of them say they have more than enough cash to finance the investments they are making. Opinion polls, and to some extent strikes, show that workers feel they are now due a larger share of the corporate cake.

Both Mr Chirac and Mr Jospin accept the argument that if the state is to relieve companies of social charges, companies should pass on some of the savings to their workers, who as taxpayers will in any case have to shoulder the higher welfare bill. By contrast, Mr Balladur's advisers link pay to productivity.

Welfare spending. The big bill here is medical. France devotes more than 9 per cent of gross domestic product on health care, second only to the US. It has combined freedom for patients to shop around for the doctor that will prescribe all the medicines they want and a high level of state reimbursement for medical care. Mr Balladur has put a lid on health spending and wants to tighten it, while Mr Chirac rejects ceilings as arbitrary.

On the separate issue of the handsome family allowances that France has traditionally paid to encourage its war-depleted population to breed, Mr Jospin wants a more socialist system, giving more to the poor and less to the rich.

Taxes. These take 44.3 per cent of French national



## CHIRAC'S LEAD IN POLLS GATHERS STRENGTH

Two opinion polls published yesterday showed Mr Jacques Chirac drawing ahead with a 6-7 percentage point lead over fellow Gaulist candidate, Mr Edouard Balladur, with the latter on level-pegging or just slightly behind the Socialist candidate, Mr Lionel Jospin. Reuter reports from Paris.

An Ipsos survey for the weekly Le Point suggested that Mr Chirac would win 27 per cent of the vote in the first round on April 23, followed by Mr Balladur and Mr Jospin on 20 per cent each. Taken on March 7-8, the survey suggested that Mr Chirac would beat Mr Balladur 55-45 per

cent in a run-off, a reversal of their standings in the previous poll last month, and would beat Mr Jospin by 56-44 per cent.

Mr Balladur has been hit by factors including a phone tapping scandal, dissent in his cabinet and a spying row with the US. These have tarnished his image as a calm and competent manager.

A Louis Harris poll for the magazine Valeurs Actuelles gave Mr Chirac 26 per cent, Mr Jospin 22 per cent and Mr Balladur just 19 per cent in the first round of voting open to all candidates. The Louis Harris survey, taken on March 6, suggested Mr Chirac would beat Mr Jospin by a 56-44 margin and Mr Balladur by a 60-40 margin. The prime minister's first-round support fell by a spectacular 10 percentage points from the previous Louis Harris poll taken on February 4-5.

The Ipsos poll suggested 44 per cent of voters believed Mr Chirac would be the next president, up from 18 per cent on February 22, as he continues to make a spectacular comeback. Those believing in a Balladur victory crashed to 23 per cent from 48 per cent in the same period, and from an overwhelming 62 per cent on February 8. Just 14 per cent believed Mr Jospin would win, down from 15 per cent.

France for this, he has already frozen FF20bn of this year's planned spending, and talks of a further FF70bn cut next year.

Both Mr Chirac and Mr Jospin say they believe in Emu, but by not being specific about the date, they do not have to be so specific about shrinking the deficit. However, whatever their views of Emu's desirability and timing, all the main candidates know that to ignore the deficit issue would be to expose the franc to another battering.

finances would not be a really significant addition to a budget that already runs at FF1,500bn a year - if it were not for France's commitment under the European Union Maastricht treaty to reduce its overall public deficit from 4.8 per cent this year to 3 per cent next year.

Mr Balladur has boxed himself in by, in deference to his strongly pro-European Union supporters, calling for European monetary union (Emu) by 1997, if possible. To underline his seriousness in preparing

France for this, he has already frozen FF20bn of this year's planned spending, and talks of a further FF70bn cut next year.

Other UDF politicians reacted with disbelief, given Mr Chirac's past inconsistencies on Europe. Mr François Léotard, defence minister, said Mr Chirac was "continuing his descent into hell", while Mr Alain Lamassouze, European affairs minister, spelt out his belief that Mr Balladur was the only true European in the race.

## Balladur campaign hit by key desertion

By David Buchan and John Riddling in Paris

Mr Charles Millon, the parliamentary leader of the Union for French Democracy (UDF) centre-right alliance, yesterday drew bitter criticism from a majority of UDF leaders for his decision to endorse Mr Jacques Chirac in the presidential race instead of Mr Edouard Balladur.

Mr Millon's defection, accompanied by another 14 UDF deputies, plus Mr Balladur's plunge in the polls, is causing something close to mayhem within the UDF. Five of the six parties that make up the UDF, France's second largest political formation with 307 deputies, decided to back Mr Balladur when the prime minister was riding high in the polls.

They left behind a tiny rump, led by the federation's president, Mr Valéry Giscard d'Estaing, and its national assembly leader, Mr Millon, who have now found an even more effective way of taking their vengeance on Mr Balladur for effectively stealing their movement.

In a more roundabout way of attacking Mr Balladur, Mr Giscard d'Estaing said this week his ideal choice for prime minister would be Mr Alain Juppé, the foreign minister and Chirac supporter.

Ironically, two years ago Mr Millon turned down Mr Balladur's offer of the agriculture ministry on the grounds that, as a pro-European, he would be put in an impossible position by Mr Chirac's opposition to the Brussels position on the Gatt farm negotiations. Yesterday he said he had obtained "a guarantee that the Maastricht treaty would be scrupulously respected".

Other UDF politicians reacted with disbelief, given Mr Chirac's past inconsistencies on Europe. Mr François Léotard, defence minister, said Mr Chirac was "continuing his descent into hell", while Mr Alain Lamassouze, European affairs minister, spelt out his belief that Mr Balladur was the only true European in the race.

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## ASIA-PACIFIC NEWS DIGEST

## Lehman trader accused in NY

A 28-year-old foreign exchange trader at Lehman Brothers, the US investment bank, induced an employee of a Chinese trading group to make unauthorised derivative trades totalling more than \$36m (£22m), it was alleged yesterday in documents filed in a New York court.

The employee, Mr Xiangdong Hu, was encouraged by Mr Tim Potter, at Lehman's London office, "to engage in a frenzy of foreign currency trading" and he began to trade "both day and night with Lehman representatives in London, Hong Kong, New York and Tokyo," the documents suggest. The allegations are made by Minmetals International Non-Ferrous Metals Trading Company, a subsidiary of one of China's biggest trading organisations, in its counter suit in New York against Lehman Brothers.

Minmetals is seeking \$28m compensatory damages and \$100m in punitive damages. This was in response to Lehman's suit, filed in November, claiming \$5.5m from Minmetals Non-Ferrous and its parent, China National Metals and Minerals, for debts arising from foreign exchange trading.

Lehman in the past has dismissed Minmetals' allegations as "ridiculous." Kenneth Gooding, *Mining Correspondent*

## US hits at Japan on Burma aid

Japan has attracted US criticism for giving Yihm (\$5.8m) of farm aid to Burma in apparent defiance of an international freeze on large scale official development assistance to the military ruled country. Tokyo foreign ministry officials yesterday denied that the grant paved the way for full resumption of ODA to Burma, withheld since the 1988 coup, but the move comes as the latest reminder that Japan is cautiously sketching out a foreign policy in Asia, independent of customary US guidance.

Mr John Shattuck, US assistant secretary of state, in Geneva had called the food production grant a "mistake." He said Washington had reminded the Tokyo government of the Burmese military government's human rights record. The Yihm was destined to help minority communities on the Burmese border buy fertiliser and agricultural equipment, said Japanese officials. A freeze on larger assistance for infrastructure projects would continue until Burma's human rights improved. William Dawkins, *Tokyo*

## Taiwan draft budget approved

Taiwan's cabinet yesterday approved a draft budget for the next fiscal year padded by military purchases and infrastructure projects. Proposed central government spending for the year to June 1996 is set at some \$11.40bn (£7.7bn), up 10.9 per cent from a year earlier. Some \$12.0bn is earmarked to buy fighter aircraft and to construct a high-speed rail link from the capital Taipei to the southern port city of Kaohsiung.

Revenues are estimated at \$9.82bn, leaving a deficit of \$1.58bn. The shortfall is to be covered mainly by bond issues. The draft budget will be submitted to the legislature and a final version is expected to emerge by the end of May. The proposed budget was passed amid debate over strains on government resources posed by social welfare programmes. Mr Lin Chen-kuo, finance minister, was quoted as saying he did not yet know where the funds for a pension scheme for retired farmers now under discussion would come from. Laura Tyson, *Taipei*

## Vietnam plans bill auction

Vietnam will in early April launch a trial auction of treasury bills to help finance a budget shortfall. A ministry of finance official said: "We plan to raise about 4,000m dong (\$21m) for the whole year." The bills will be auctioned to foreign as well as Vietnamese banks before being made available to individuals, in the first move by Vietnam to create a primary and secondary market for such instruments.

About three quarters of the money raised through domestic treasury bill issues this year would be used to finance the budget deficit, with the remainder covering other debts. Mr Ho Te, finance minister, has become increasingly vulnerable since the last National Assembly meeting in October when deputies accused him of fiscal mismanagement. They said he should not have allowed Vietnam to chalk up a trade deficit which reached \$400m (\$246m) for the first nine months of 1994, the latest period for which statistics are available. Western economists say the gap has widened since then. It is believed Mr Ho Te may soon be replaced. Our *Hanoi Correspondent*

## Ex-NZ auditor-general charged

The former watchdog of New Zealand's public finances appeared in court yesterday to face 23 charges of fraud and theft. Mr Jeff Chapman, former auditor-general, made no plea and was remanded on bail to appear again next month on condition he surrender his passport.

Mr Chapman resigned last year, citing personal financial difficulties incompatible with his public role. His financial dealings were subjected to an independent audit focusing on spending during overseas business trips and cash advances drawn on official credit cards. Mr Bruce McCallum, the auditor, concluded Mr Chapman owed the Audit Office over NZ\$155,000 (£51,000). Charges, which Mr Chapman denies, were laid following an investigation by the Serious Fraud Office. *Reuter, Wellington*

■ The seasonally adjusted estimate of the number of Australians in work rose 75,200 in February to 5.61m, against 5.53m in January and 7.22m a year earlier. Unemployment fell to 8.9 per cent from 9.0 per cent in January and 10.4 per cent in February 1994, the Australian Bureau of Statistics said. *Reuter, Sydney*

■ A slide in lending by Japanese banks continued last month, with a 0.1 per cent fall in the total value of loans outstanding from a year before, the Bank of Japan said yesterday. The fall was the ninth consecutive monthly drop, though the rate of decline slowed slightly from January's 0.3 per cent. *Gerard Baker, Tokyo*

## Outcry grows over Japanese credit union rescue

By Emilio Teraszono in Tokyo

Public outcry over a controversial rescue package for two small Japanese financial institutions heightened yesterday as a former president acknowledged his links with opposition party members and ministry of finance officials.

Mr Harunori Takahashi, known for his speculative overseas property investments and former president of Tokyo Kyowa, one of the ailing credit associations to be bailed out, confirmed his links with Mr Keisuke Nakamichi and Mr Toshio Yamaguchi of the New Frontier party, the main opposition grouping. Mr Takahashi also admitted that he had entertained a finance ministry official by flying him to Hong Kong in a private jet.

The revelations further damaged the credibility of the country's financial authorities, which had been trying to put together a rescue package using public funds to help the credit associations. At the time of the initial announcement of the plan at the end of last year, the regulators had claimed that the rescue was to maintain the stability of the financial system.

Mr Takahashi and Mr Shin-suke Suzuki, former president of Anzen, the other rescued credit union, yesterday both denied any wrongdoing. While they have been held responsible for inept decisions leading to the nonperforming loans and have been charged with breach of trust, Mr Takahashi said deposit withdrawals and loans were examined by officials of Long Term Credit Bank (LTCB), their leading creditor bank, during 1990 and 1993. After LTCB terminated further lending to Tokyo Kyowa, Mr Takahashi said the Tokyo metropolitan government - official supervisor of the credit associations - was informed of transaction details.

Mr Takahashi's testimony could delay the implementation of the rescue plan as political wrangling over the issue is expected to continue. The ruling coalition and the NFP have used the case to attack each other - the government by stressing the opposition party's murky links with speculators, and the NFP by highlighting the government's unclear decision-making process over the bailout. Mr Yamaguchi has resigned as NFP deputy secretary-general while Mr Masayoshi Take-mura, finance minister, has faced criticism in parliament.

The parliamentary budget committee yesterday decided to summon Mr Yasushi Mieno, former governor of the Bank of Japan, and Mr Tetsuya Horie, president of LTCB, to testify before the committee next Thursday.

Media criticism has centred on the use of public funds to bail out the handful of institutional and large retail depositors of the two credit unions. The Barings debacle, an unrelated event, has added to the debate as Japanese commentators have compared the Bank of England's refusal to bail out the merchant bank to the Japanese authorities' reaction to the two ailing institutions.

The Tokyo metropolitan assembly has postponed a decision on extending ¥30bn (£200m) in low interest loans as part of the bailout. The new governor, who will be elected next month, will decide on what if any part the Tokyo city government will play.

## FBI joins hunt for Karachi gunmen

By Farhan Bokhari in Karachi

An FBI anti-terrorism team was due to arrive in Pakistan last night to help investigate Wednesday's murder of two US government employees in Karachi, as Pakistani police continued their search for the two unknown gunmen.

But there were no signs that the worst outbreak of violence in the country's commercial capital may be about to end. At least seven more people, all Pakistanis, were killed in three separate attacks in different parts of Karachi yesterday.

None the less, the killings of the two Americans, shot in a

minibus as they were being driven to work at the consulate, have sparked fears that foreign nationals could again become targets in the violence-plagued southern port city. Almost 1,000 people have been killed in Karachi's ethnic and sectarian violence during the past year.

The US yesterday announced a \$2m reward for information leading to the arrest of the two gunmen. Mr John Monjo, ambassador to Pakistan, told reporters in Karachi that his country would do everything to apprehend the killers. "The terrorist murder of Americans overseas is also a crime under

US law and the US government is empowered to pursue the perpetrators and bring them to justice," he said in a statement read outside the consulate.

Security was tight at the mission, which was guarded by Pakistani paramilitary troops armed with machine-guns as well as by private security guards. Mr Monjo said security precautions had been tightened "in the past weeks and months" and would be strengthened even further.

Local officials conceded that in the absence of a clear motive behind the attack, it was hard to identify which group might be responsible.

"There are few leads to pin the attack on anyone in particular," said one.

Among other possibilities, police are investigating reports that the killings may have been in retaliation for last month's extradition to the US of Ramzi Yousef, a suspected Iraqi terrorist accused of planning the 1993 bombing of New York's World Trade Center.

The city's large business community is worried that the attack may further harm the already damaged business environment. "Businesses will find it very hard to ignore the continuing violence. Real investments will certainly suf-

fer," said one expatriate businessman last night. Others said Ms Benazir Bhutto, prime minister, may face tough questions from US businessmen, whose funds she plans to try to attract to the country during a visit to the US next month.

Kieran Cooke adds from Singapore: Ms Bhutto, speaking yesterday in Singapore where she was on an official visit, sought to play down the level of violence in Pakistan's main port city. "I would emphasise that the crime and struggle for order is only going on in one part of Karachi. The irony is that in other parts, the city is flourishing," she said.

## Pressure on China to relax austerity

Economists feel Beijing's policy is too cautious, reports Tony Walker

China expects further slow-down in economic growth this year but local economists are beginning to worry about the prospect of stagflation - falling rates of growth and continuing high inflation.

Mr Fan Gang, deputy director at the Institute of Economics of the Academy of Social Sciences, said there was a danger of "overcaution" in the government's efforts to manage the economy through a difficult phase.

Mr Fan was commenting on economic programmes unveiled this week at China's National People's Congress, or parliament, by premier Li Peng and Mr Liu Zhongli, finance minister. These emphasised the inflation fight and made clear that an austerity campaign would continue for the time being.

"So far, policies have been appropriate," said Mr Fan, but he added that if it tightened went on too long it would "not be good for the Chinese economy". Mr Fan favours selective relaxation of credit restrictions to productive sectors and a stronger commitment to state enterprise reform. He believes the authorities are proceeding too cautiously.

Mr Li, in his state of the nation address, set as a target for 1995 a further slowing of the economy to 8 to 9 per cent growth, compared with 11.6 per cent in 1994 and more than 13 per cent in the two preceding years.

Western economists believe that actual growth in China's



A Chinese paramilitary policeman takes a break from patrol to help erect a banner advertising a traditional dumpling restaurant in Beijing. The Chinese characters mean 'Big Three'.

economy is two to three percentage points lower than the official figure because of distortions in statistics caused by inflation.

Figures for industrial output, which the State Statistical Bureau said yesterday rose 15.5 per cent in February compared with a year earlier, also tended to be overstated in terms of impact on growth in gross domestic product. Inventories in the state sector grew by 24.2 per cent last year to ¥17.5bn (£12.8bn) and a range of indicators released last week by the statistical bureau suggests economic activity may indeed be slowing faster than the government's overall growth figures suggest. For example, freight carried on China's over-stretched transport system fell last year for the first time since 1989.

Steel production in 1994 registered its lowest growth in the

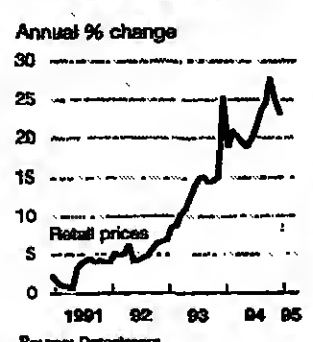
1990s of about 2 per cent. This was in spite of a reported 20 per cent increase in heavy industrial production. Electricity output also registered lower growth than in the previous boom years of the 1980s.

But western economists believe it would be a mistake for China to abandon its anti-inflation strategy too quickly because of concerns about a slowing economy and thus implications for employment at a sensitive moment politically.

China's political transition to a new generation of leaders to replace the ailing Mr Deng Xiaoping is weighing heavily on policy decisions. The transitional leadership is emphasising stability and consolidation. The anti-inflation fight is part of a nervous administration's attempts to deal with popular grievances.

"The problem is that the Chinese have a tendency to say

## China's inflation



Source: Datastream

that if the economy is not overheating, there is no problem with inflation," said a Western economist attached. "But in developing economies inflation can persist long after GDP growth begins to come down." Since the introduction of a "stabilisation programme" in

mid-1983 to calm a runaway economy, China has been preoccupied with achieving an economic "soft landing", with growth slowing gradually and inflation being brought under control. However, inflation has remained stubbornly high.

Consumer prices rose 24.2 per cent in 1994. Retail prices were up 21.7 per cent year on year. While there has been some slowing in the rate of price increases in the past two months, the problem is far from healed.

Mr Fan said it appeared China had already achieved a soft landing, but inflation remained far too high. Consumer prices in China's 35 big cities were up 22.5 per cent in January compared with the same month a year ago.

Mr Fan expects economic growth this year to be about 10 per cent, slightly above the official planning figure, but he doubts that inflation will come down to the government's target of about 15 per cent. He expects pressure for a loosening of monetary policy to build in the second half of the year.

China has indicated that it plans to continue its austerity campaign through this year. According to this week's budget statement, new loans from state banks will rise by 18 per cent, substantially lower than the past few years. Further cuts in capital spending were also foreseen.

Beijing, it seems, faces a continuing, delicate balancing act between the need to curb inflation, and the risks of an economy beginning to slow too quickly. Voices such as those of Mr Fan which are calling for a selective easing of credit restrictions are likely to become stronger.

## Rule of law 'vital to HK'

By Kieran Cooke in Singapore

Mr Chris Patten, the governor of Hong Kong, yesterday made one of his most forceful speeches to date on the importance of maintaining the rule of law in the colony.

During a visit to Singapore Mr Patten described the rule of law as "the guardian angel of Hong Kong's decency and the engine of Hong Kong's success". He said as long as the rule of law survived after the handover of Hong Kong in 1997, the colony would prosper.

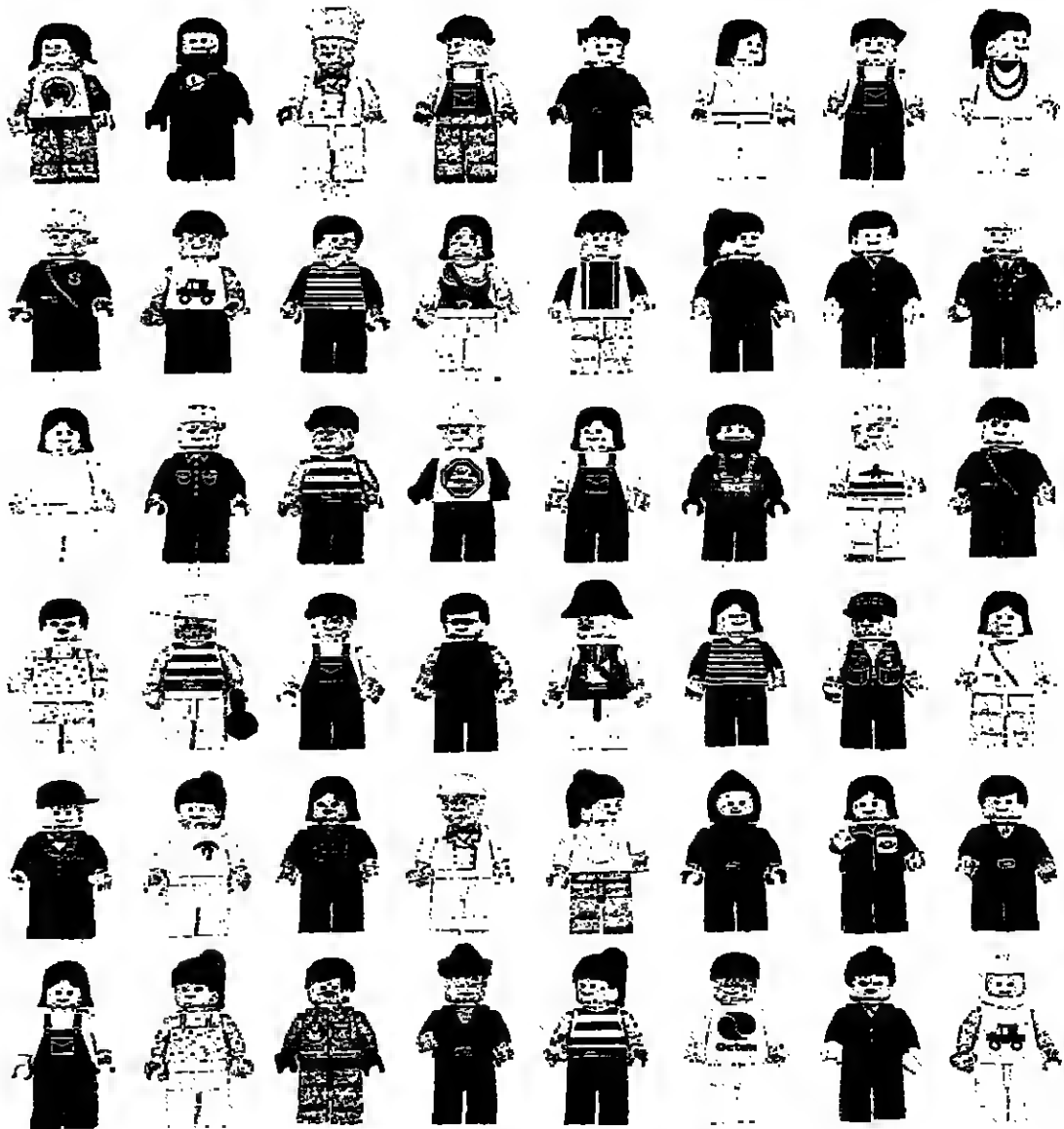
"Freedom under the law is not just a slogan in Hong Kong," said Mr Patten. "It's our history. It's our life." Mr Patten said Hong Kong's laws had allowed a market economy to flourish and were a vital element in building a business friendly environment. The Hong Kong governor also talked of the need not only to have an open economy but also a society open to ideas. "Free exchange of goods: free exchange of ideas. The two should go hand in hand," said Mr Patten.

Mr Patten's speech was seen as being directed not only at China but also at Singapore.

Singapore, which has close relations with China, has criticised Britain's handling of relations with Beijing. In a speech in Hong Kong two years ago Mr Lee Kuan Yew, the republic's senior minister, attacked Mr Patten's emphasis on guaranteeing certain political freedoms in Hong Kong. Mr Lee had hinted there was a western conspiracy to force China down the path of democracy which could jeopardise onward economic growth.

Mr Patten said having political freedoms, being able to speak and demonstrate, had not hindered Hong Kong's economy. "Freedom stunts growth? Who are you kidding?" he asked.

While in Singapore Mr Patten had a four-hour meeting with Mr Lee. Mr Patten said they had differences that went back a long way but these did not hinder discussions.



## SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

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United Nations High Commissioner for Refugees

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UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information  
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## Seoul's graduation claimed as a signal success

## South Korea departs from World Bank nest

By George Graham in Washington

South Korea is to become the World Bank's latest graduate after signing its last loan agreements with the international development institution this month.

When South Korea joined the World Bank in 1965, its annual per capita income stood at only \$100 and it was eligible to borrow from the International Development Association, the World Bank affiliate which provides loans at heavily subsidised interest rates to the poorest countries.

But the country has been a donor to the IDA since 1978, and it long ago reached the level of development at which the World Bank normally

starts phasing out lending. Its per capita income, estimated at \$7,570 in 1993, stands well above the \$4,886 per capita level which is usually considered the cut-off for World Bank eligibility. South Korea, the 12th largest economy in the world, has been slower to leave the World Bank nest than countries with lower incomes such as Barbados, which graduated in 1989. Bank officials said, however, that lending could continue above this income level to meet development needs or if a country would not otherwise have access to capital.

Nevertheless, World Bank officials were quick to claim Seoul's graduation as a signal success for their institution. "It stands as compelling evidence

of what can be achieved when a country adopts sound economic policies and makes full use of the services the Bank has to offer," said Mr Russell Cheatham, the World Bank vice-president for east Asia and the Pacific.

In all, South Korea has borrowed around \$8bn (£5bn) from the World Bank, and has \$2.8bn in loans outstanding today. Much of the lending has been for infrastructure projects including the last two loans: \$100m and \$75m for urban transport and waste disposal in Pusan.

Since South Korea started borrowing from the World Bank, infant mortality has dropped from 62 to 17 per 1,000 births and life expectancy has risen from 54 years to 70 years.



NEWS: WORLD TRADE

# Dangers of 'cut-throat' rivalry Call for rules on contracts in third world

By Nancy Dunne  
in Washington

Transatlantic co-operation is necessary to agree new "rules of the game" to prevent ruinous "cut-throat" competition by multinational companies and their governments in third world markets, a senior US official said yesterday.

Mr Jeffrey Garten, US commerce undersecretary for international trade, in a speech prepared for delivery in New York, said competition in the emerging markets could easily lead to "a rapidly inflating spiral of inducements" by governments seeking to help their own companies secure contracts.

"It is not in the interest of industrial nation taxpayers, and not in the interest of the EEMs (big emerging markets), which would find it much more tempting to undertake projects that would not make economic sense under market rates and conditions," he said. "Nor is it in their interest to build up excessive debt, even if at very low interest."

Hard feelings arising from such competition could easily undercut the co-operation needed to set "a common agenda of more open trade," he said. This could undercut foreign policy and security co-operation as well.

Mr Garten called for rules such as the export credit guidelines agreed in the Organisation for Economic Co-operation

and Development. Similar deals could be reached on off-sets, industrial co-operation agreements and other incentives.

He said the US and Europe must develop a common vision for the 21st century based on the realities of mushrooming trade, trillions of dollars of capital flows and new information technologies.

"A vision for the future of transatlantic commerce must go beyond the platitudes of more co-operation, and beyond the efforts to deal with a series of agenda items," he said. "It must supersede merely more trade and investment, and come to grips with the nature of economic and social integration in advanced industrial nations."

As it prepares for further economic integration, Washington is restructuring its foreign and commercial service to focus resources on the EU as a whole.

The US will promote expansion by American companies from the UK, where it holds 11 per cent of the import market, to the rest of Europe, where its share is only 6 per cent. "The initial focus will be to boost US market penetration in Germany, France, Italy and Spain," Mr Garten said.

Small and medium sized companies will get the bulk of the assistance in four sectors: aerospace, environmental technologies, information technology and power generation and transmission.

# \$200m boost to French superhighway

By John Riddling in Paris

France Télécom, the state-owned telecoms operator, yesterday demonstrated its intent to play a leading role in the development of a national information superhighway, announcing it would invest about FF1bn (\$200m) in trial services and projects within the next four years.

Mr Charles Rozmarny, managing director, said the planned investment was a measure of France Télécom's ambi-

tions in the field and of the stakes involved. But he stressed that the state-owned operator would adopt a pragmatic approach which would involve the formation of partnerships and experiments in infrastructure and services.

According to France Télécom, experiments would take three forms: construction of networks, development of interconnection platforms which connect service providers with clients, and the services themselves. About half of

the planned investment is expected to go towards expansion of a fibre-optic cable network.

The experiments are due to start in the second half of this year. Initially they will comprise services for the mass public and businesses, educational and public services and audio-visual projects, such as home shopping. At first the services will use the existing telecoms infrastructure. More sophisticated networks, including a broadband ATM network will

also be used, however, while the aim is to connect 50,000-100,000 households to fibre optic cables from the end of 1996.

Yesterday's announcement is the latest step in the French government's plans to develop a nation-wide *autoroute d'information* by the year 2005.

Last week Mr José Rostoll, the industry minister, said that 49 projects from a total of more than 600 applications had been selected to launch the country's information superhigh-

way trials. Of these, nine projects were advanced by France Télécom.

The level of response reflects the strength of interest by French industrial groups seeking to expand into communications and media services. But some of the bigger players have seen their proposals stalled. These include the two utilities giants, Générale des Eaux and Lyonnaise des Eaux, which had proposed to offer telecoms services through their cable television networks.

# India near order for up to 60 Hawk jets

By Bernard Gray,  
Defence Correspondent

India is close to ordering up to 60 British Aerospace Hawk training jets in a deal worth more than £1bn (\$1.6bn). The Hawk is competing against the French Alpha Jet, manufactured by Dassault, and an update of the Russian MiG 21. However, the Hawk is said to be the clear front-runner in the contest and a deal may be signed within weeks.

British Aerospace is understood to have offered to progressively transfer production of the Hawk to India. Initially, complete aircraft would be supplied from the company's Watlington and Brough plants in northern England. Subsequently sub-assemblies would be supplied for assembly in India and finally components would be sent to allow complete aircraft to be assembled.

India has struck similar deals before, and has built over 100 of the Anglo-French Jaguar strike aircraft under licence. The country is also licensed to manufacture Russian MiG 21s and the advanced MiG 29 fighters.

BAA would not confirm that a deal was close but said that it had been in discussions with the Indian government for some time. The Hawk is the leading international jet training and light strike fighter, and BAE have sold the aircraft to the US, Saudi Arabia, Malaysia and Indonesia among others.

Because training aircraft are used more heavily than combat fighters, a low cost of flying is an important consideration for potential buyers. The Hawk is thought to have a lower cost of ownership than either the French or the Russian competitors. Reuter adds from Paris: GEC Alsthom, the Anglo-French engineering group, has signed contracts worth £40m (\$66m) with the Power Grid Corporation of India to supply a high voltage direct current converter station to link the eastern and southern regions of India's electricity network.

# Icy US-EU relations freeze up WTO

Guy de Jonquières and Nancy Dunne on the failure to find a head for new trade body

When Mr Peter Sutherland announced last spring that he wanted to step down as director-general of the General Agreement on Tariffs and Trade, diplomats in Geneva decided to break with tradition in appointing his successor at the new World Trade Organisation.

Like all his predecessors in GATT's 47-year history, Mr Sutherland is a European, named after close behind-the-scenes consultations between the world's main trading powers. But the WTO head, it was agreed, should be chosen in an open contest.

If the aim was to get the WTO off to a flying start, it could not have backfired more disastrously. The contest has been deadlocked for months, underlining deep regional divisions in the global economy and creating severe strains between the WTO's biggest members.

Nowhere more so than between the US and the EU, the WTO's politically most powerful players. Unless they

can agree on a candidate, the consensus needed to settle the appointment cannot be achieved - a point repeatedly made by Mr Sutherland in his recent efforts to engineer a transatlantic compromise.

But one senior European official said this week that EU-US disagreements on the issue ran so deep that normal communications had almost dried up, jeopardising their whole future relationship.

The climate has deteriorated sharply since the withdrawal 10 days ago of Mr Carlos Salinas, the former Mexican President whose WTO candidacy was backed by the US and most other governments in the Americas.

That reduced the field to Mr Renato Ruggiero of Italy, the EU contender, and Mr Kim Chul-su of South Korea, who is supported by much of Asia, including Japan. Or so it seemed until the Clinton administration began sending confusing messages about its intentions. One senior official declared Mr Ruggiero and Mr Kim unacceptable and called for the contest to be

restarted from scratch. Another accused Mr Ruggiero of being "too protectionist".

Still other officials have said the US is ready to let the selection process continue and does not plan to veto the two existing contenders. However, rumours are also rife that Washington is casting around for a fresh candidate, though it has yet to name one.

These uncertainties have angered and perplexed trade diplomats in Geneva. All the signals from Washington are totally contradictory, one said yesterday.

The confusion is blamed partly on poor co-ordination in the administration. But EU officials also fear it reflects growing anti-European feeling, particularly on the part of Mr Mickey Kantor, the chief US trade negotiator, who is believed to be Mr Ruggiero's fiercest opponent in Washington.

Mr Kantor has not expressed his views publicly. However, officials believe he may still be smarting over US-EU clashes in the Uruguay Round trade

talks, notably on agriculture and audio-visual services. Mr Kantor has also been angered by criticisms by Sir Leon Brittan, the European trade commissioner, of US trade tactics towards Japan and China.

Sir Leon's energetic chairmanship of Mr Ruggiero has aroused suspicions that Brussels wants him at the WTO to do the EU's bidding. Mr Ruggiero is widely held to have made a poor impression when he visited Washington late last year.

Officials on both sides of the Atlantic say relations between Sir Leon and Mr Kantor - never warm - have turned icy. That poses a serious problem, since theirs is the highest level of regular dialogue between the US and the EU.

Some European officials have hinted they might be prepared to reconsider their backing for Mr Ruggiero if the US showed readiness to negotiate in good faith. However, one said: "There is no communication, and Washington seems to

feel it's not worth having any. The US has made it impossible for us to enter a compromise process."

Even if such negotiations were possible, the two sides would still have to unite behind one candidate. The only name on which they would almost certainly agree is Mr Sutherland, who is currently in the US. But he has repeatedly said he wants to step down as soon as possible.

Some observers believe Mr Sutherland might be persuaded to stay longer if implored to do so by leaders of the most powerful WTO member governments. However, that would pre-empt a meeting of minds between the US and the EU, which still appears remote.

With Mr Kantor in China until Tuesday and Mr Sutherland due to quit on Wednesday, the WTO may well find itself leaderless for an indefinite period. That would not only be a serious setback for the world trade agenda. It would risk turning frictions between the US and EU into a running sore.

# Thais reject bid terms criticism

By William Barnes in Bangkok

The Thai government has said its controversial June 30 deadline for the first round of bids to build and operate power generators stands despite complaints that the bid procedures leave too many uncertainties.

The tenders to provide 3,800MW of electricity by the year 2002 represent a big step in the gradual privatisation of Thailand's state-owned electricity industry, and has aroused the interest of 43 international power generators, local construction companies, and potential lenders.

However, several potential independent power producers said uncertainties about, particularly over the issue of obtaining guarantees of gas fuel supplies from the Petroleum Authority of Thailand before negotiations with the Electricity Generating Authority of Thailand (EGAT), start at the beginning of May.

Mr Hisatsugu Sira, assistant general manager of the Japanese company Marubeni, said the project was "unbankable as it stands". Such opinions are rejected by Mr Piyasvasti Amranand, secretary-general of the National Energy Policy Council: "I don't think the terms are all that tough."

Mr Piyasvasti added the worries boiled down to a few basic areas including pricing, cost escalation, interest rate risk and what happens when EGAT is privatised. "If they don't like something they can make counter offers - it's not really possible to include every concern in the model (agreement)," he said.

EGAT's governor Mr Somboon Maneevada said any delay could disrupt plans to have 1,000MW of generating capacity in operation by the year 2000.

He said bidders could always wait for the second round of negotiations for smaller projects to supply the remaining 2,800MW of capacity by 2002. However, both bidders and government officials have said that companies that get a foot in the privatisation door early on will stand a better chance of winning later contracts.

The process was delayed several months last year after the original draft document was criticised - leading to amendments over, for example, *force majeure* conditions that would have made it easy for EGAT to take over projects that slipped below contractual obligations.

The Asian Development Bank has calculated that Thailand needs to invest \$22bn by 2000 to meet projected electricity demand which is currently climbing by 11 per cent a year.

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## OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for March 15 to April 14 1995 (February 15 1994 - March 14 1995 in brackets).

D-Mark	7.91	(8.07)
Ecu	8.76	(8.94)
French franc	8.77	(8.94)
Guilder		
up to 5 years	8.00	(8.19)
5 to 8.5 years	8.20	(8.40)
more than 8.5 years	8.75	(8.93)
Italian lira	11.31	(11.40)
Yen	4.70	(4.70)
Pesoeta	12.37	(12.68)
Sterling	9.63	(9.73)
Swiss franc	8.34	(8.38)
US dollar for credits		
up to 5 years	8.25	(8.68)
5 to 8.5 years	8.37	(8.78)
more than 8.5 years	8.44	(8.79)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when being at risk. Interest rates may not be fixed for more than 120 days. OECD-based rates of interest are the same for all currencies. For the period from January 15 to July 14 1995, the SDR-based rate will be 7.25 per cent. It replaces the previous rate of 6.85 per cent. The SDR-based rate will again change on July 15 1995.

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## THE REASONS OF A LEADERSHIP

Italian packaging machines are in use in over 150 countries, mostly in European markets, the U.S. and Japan, as well as in the newly industrialised countries of Asia. Also of special importance is the use of Italian machines in countries striving to improve their living standards, from the CIS to the other nations of East and Central Europe, as well as China, Latin America and the more developed industrial regions of Africa. Today one out of four packaging machines on the international market is made in Italy.

**A successful tradition.** The reasons for this success can be traced within its historical and geographical roots. The first businesses were formed in Bologna at the beginning of the 19th century. As true pioneers, the first industries were well ahead of their time in identifying two fundamental demands of the market: the strategic importance of packaging in the market of products of large consumption; and the need to adapt packaging machines to fit the particular requirements of each customer.

**Customisation.** On the basis of this tradition, the Italian packaging machinery firms offer a complete range of products on the world market. The systems and the machines they plan are tailor-made to fit specific customer needs, using innovative technology and new materials at every level of the production process. Furthermore, the highest levels of service are guaranteed by a continuous and stable contact between producers and customers.

They work on two fronts. On one side they develop an increasing number of complete and automatised lines. On the other side they create user-friendly machinery which requires less maintenance and can be integrated into the users already-existing production and inspection systems. According to a survey carried out by the Harvard Business School, Italian packaging machinery is an "happy combination of artistry and technology".

strong and represents a continuous stimulation for the improvement and innovation in products and services, customer orientation, flexibility and good quality-price ratio. This is the basis for the competitiveness of the sector on the worldwide market. Such a simple and, at the same time, sophisticated structure quickly became a strong success factor when Italian entrepreneurs began to cross over the frontiers. Export has become so important that Italian packaging machinery industry is going to achieve a position of leadership on worldwide market.

**Non-stop research.** The major part of the people working in the Italian packaging machinery sector is employed in research, development and maintenance.

**Competition and competitiveness.** The Italian packaging machinery sector is mainly composed of small and medium sized companies. So competition is very

The trend of the Italian industry of packaging machinery (value in million U.S. dollars)

	1992	1993	Δ % 93/92
Turnover	1,621	1,824	+12.5
Export	1,123	1,494	+33.0
Deliveries on the Internal market	498	330	-33.6
Import	176	203	+14.3
Domestic consumption	676	534	-21.0
Trade balance	945	1,290	+36.5
Import / Domestic consumption	26.3	38.1	
Export / Turnover	69.3	81.9	

Source: UCIMA-The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

## ITALIAN PACKAGING MACHINERY: NON STOP GROWTH.

"We can look at the future very optimistically", said Mr. Giancarlo De Martis, president of UCIMA (the association representing Italian packaging machinery manufacturers).

In 1993 over 300 companies producing packaging machinery in Italy registered a growth in export of 33% compared to the previous year, and the impact of sales on turnover increased from 69.3% to 81.9%.

"While other countries such as Germany, France and Switzerland reported a decrease in terms of turnover - said Mr. De Martis - the Italian packaging machinery industry seems to be launched towards a continuous growth. With no doubt the readjustment of Lira has been helpful, but the most important role in such a success has certainly been played by the pursuit of a policy of high technology and customer satisfaction".

**An in-depth look.** Export in 1993 represented 81.9% of the total production of Italian packaging machinery and in the same year balance of trade registered over 1.3 billion dollars (about 70.7% of the total turnover).

Obviously the EC is the primary market for Italian packaging machinery export with a share of 39.2% and with a growth rate in 1993 of 20.4% compared to 1992.

The German market remains the most important (+13.1%), followed by the U.S., France, UK, and Spain.

Export also increased in the Eastern European market (particularly in Poland and CIS) in Latin America (particularly Mexico, Argentina, Chile and Brazil), China and South East Asia.

A "memorable overtaking" of the competitors was then achieved in Japan where Italian machineries represent 35% of the total of foreign machineries sold there.

**A strategic development.** The strong position of the Italian packaging machinery industry is now going to be consolidated with an outreach visibility plan that UCIMA (the association representing Italian packaging machinery manufacturers) is implementing.

The core of this plan is the creation of the Italian Packaging Points in Hong Kong and Mexico City (and so, at the gateways to the most strategic markets: the Far East and Latin America).

These "IPPs" will support all the initiatives of Italian packaging industry (i.e. the "Italian Packaging and Process Machinery Exhibition" that will be held in Beijing in March 1995), and, most of all, will manage all the communication to the Far East and Central-Southern America.

"The Far East and Latin America - declared Mr. De Martis - thanks to the development they achieved in the last years will be the big "chances" for Italian packaging machinery industry".

The Italian manufacturers of packaging machinery have already achieved good results, much more valuable considering the fact that, in many cases, there was no advantage coming from the devaluation of the Lira.

"So, - declared Mr. De Martis, the consolidation of the Italian packaging machinery industry in these "relatively" emerging markets, represents the last frontier to worldwide leadership".

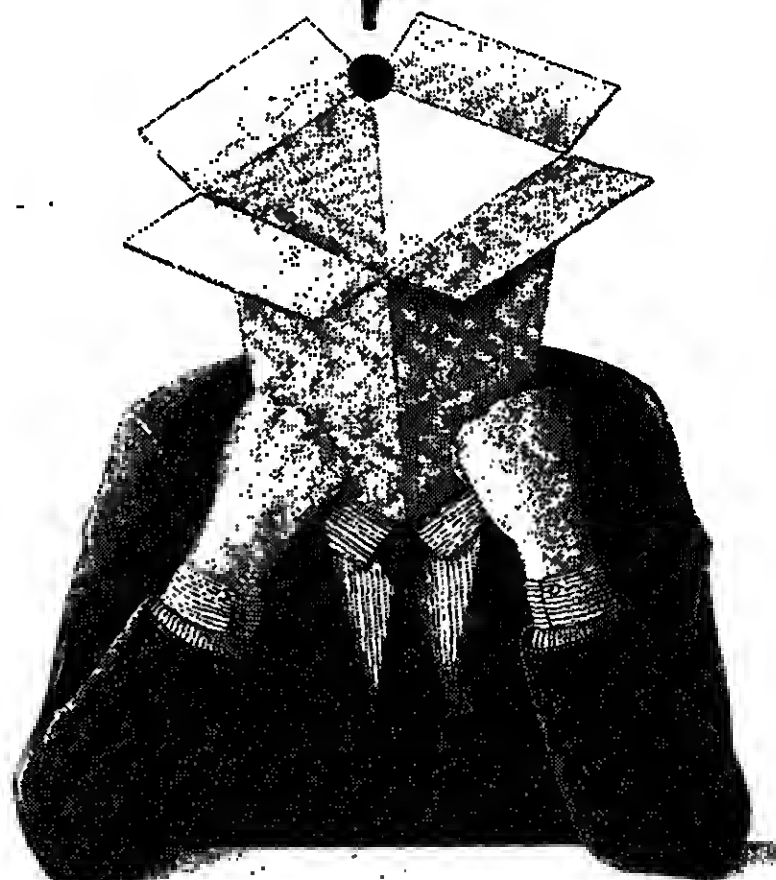
## Trade balance with major partners (value in million U.S. dollars)

to:	Italian Export	%	Balance '93
Germany	172	10.30%	97
U.S.A.	160	9.59%	139
France	153	9.17%	136
United Kingdom	127	7.61%	116
Spain	72	4.31%	67
Japan	65	3.89%	59
Switzerland	50	3.00%	20
Netherlands	23	1.38%	10
Austria	18	1.08%	10
Sweden	14	0.84%	2
Other countries	815	48.83%	797
<b>Total</b>	<b>1669</b>	<b>100.00%</b>	<b>1449</b>

Source: UCIMA-The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

Visit the Italian Packaging and Process Machinery Exhibition at the China International Exhibition Centre Beijing, 14-18 March 1995

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## NEWS: THE AMERICAS

# Divided Republicans put off terms vote

By Jurek Martin, US Editor,  
in Washington

The Republican leaders in the House of Representatives have been forced by deep party divisions to postpone a vote on a key element in its Contract with America agenda - the constitutional amendment to limit the number of terms that may be served in Congress.

The delay - from next Tuesday until the end of the month - follows the one-vote Senate defeat last week of the balanced budget amendment, another key component of the Contract.

A bitter public rift has also been opened between the party leaders and

the conservative grass-roots movement pushing for the term limit amendment. Congressman Newt Gingrich, House Speaker, angrily told a columnist yesterday that US Term Limits, the principal lobby on the issue, did not "have a clue about how to run this country".

Congressman Bill McCollum of Florida, sponsor of one of several versions being discussed, came under sharp attack in a morning radio interview from Mr Paul Jacob, head of US Term Limits. He bluntly accused the congressman of favouring a 12-year ceiling in order to hold on to his job.

Mr McCollum, in a letter to the Wall Street Journal yesterday, charged that US Term Limits was "a

destructive force" whose "hatcheting" assault on House Republicans supporting the 12-year ceiling was "irrational and self-defeating".

The decision to postpone the vote, taken on Wednesday night, reflects the political reality that no version of the amendment is anywhere near gaining the necessary two-thirds majority - or 290 votes - in the House. Even if an amendment was passed, the Senate would be unlikely to follow. Senator Robert Dole, the majority leader, is opposed to term limits in any form.

In announcing the delay, Mr Dick Armey, the majority leader, said time was being bought for an all-out campaign.

Radical conservatives, however, are deeply critical of the bill approved by the judiciary committee which recommends a 12-year limit, extendable by a further 12 after a two-year break from congressional service. It would override state laws on term limits, of which 22 now exist.

True believers in term limits, an offshoot of the states rights movement, want congressmen and senators to serve no more than six years. Proposals also have been made for eight-year ceilings.

Mr Gingrich favours a simple 12-year limit to be applied equally to the House and Senate. But some Republican leaders oppose any ceilings, among them Congressman Tom

DeLay, majority whip; Henry Hyde, judiciary committee chairman; and John Boehner and Congresswoman Susan Molinari, senior officers in the House Republican Conference.

The Speaker's criticisms of US Term Limits were conveyed to Mr Robert Novak, the conservative columnist, who accused Mr Gingrich of changing his mind after he had spoken favourably in February of the six-year initiative proposed by Senator Hank Brown of Colorado.

He quoted the Speaker as saying: "The more I thought about it, the more I concluded that this is crazy. Trying to run this place on a six-year term ... would be genuinely destructive of the country."

## US tax cuts package unveiled

By George Graham  
in Washington

Senior Republicans in Congress yesterday proposed lower capital gains taxes and a \$500-per-child (\$307) income tax credit as part of a package of tax cuts promised in their Contract with America election manifesto.

The bill would cut the corporate capital gains tax rate to 25 per cent, a smaller cut than originally pledged in the Contract, but it would add a gradual repeal for businesses of the alternative minimum tax, designed to ensure taxpayers do not escape liability by claiming too many deductions.

The alternative minimum tax has caused great frustration to businesses whose tax bills have stayed high even when their profits slumped. It has also been criticised for heavy compliance costs.

Congressman Bill Archer, chairman of the House Ways and Means committee, promised that "every single tax cut will be completely offset by spending cuts".

But the House Republicans have given no details of how they plan to pay for the cuts, which are generally estimated to cost \$200bn in revenue over the next five years, and perhaps \$700bn over 10 years.

Congressman John Kasich, chairman of the House budget committee, is still working on a spending cuts plan, but congressional aides said it was likely to be limited to generic promises to restrict the rate of growth in government entitlement programmes to less than the rate of inflation and to reduce the broad caps on discretionary spending.

Meanwhile opposition is growing to tax cuts. Many senior Republicans, especially

in the Senate, are arguing that they must bring the budget deficit down before they can contemplate cutting taxes. Most Democrats now appear to share this view, even though President Bill Clinton and Congressman Richard Gephardt, the Democratic leader in the House, have both proposed their own tax cut plans.

Many of the Contract's tax proposals are included in the bill produced by Mr Archer yesterday, on which the Ways and Means committee will begin work on Monday.

Core measures include:

- A non-refundable \$500 tax credit for each child under the age of 18, limited to families with adjusted gross income under \$250,000.
- Broader eligibility for tax sheltered retirement savings accounts.
- Individuals would be able to gain a 50 per cent deduction

for capital gains, and would be allowed to index gains on assets acquired from January 1 onward to adjust for inflation. They would also be allowed to deduct losses on the sale of a home.

● Companies' capital gains, currently taxed at the same rate as ordinary income, would be taxed at 25 per cent if that is lower than their regular tax rate. (The Contract had promised a 17.5 per cent rate.)

● Adjustments to income for corporate alternative minimum tax would be revised at the end of 1995, and the tax repealed on December 31 2000.

Mr Clinton's tax cut plan also called for an expansion of tax sheltered retirement savings and a \$500 per child tax credit, but limited to families with incomes below \$75,000. In addition, he offered tax deductibility for up to \$10,000 a year of college fees.

## Wall St acts to check derivatives

By Richard Waters  
in Washington

A voluntary regime to regulate the derivatives activities of big Wall Street firms was unveiled yesterday, signalling an attempt by the US securities industry to reduce pressure for legislation on the issue.

The framework of voluntary rules, agreed among the six largest securities houses, has not been formally endorsed by either the Securities and Exchange Commission or the Commodities Futures Trading Commission which oversee the US financial markets.

However, the two bodies were involved in discussions which led to the agreement and have welcomed the framework. Mr Arthur Levitt, SEC chairman, called it "a solid starting point" for regulating derivatives. He said he hoped other regulators in the world would adopt similar regimes.

The agreement follows seven months of discussions between the six firms and the regulators. It comes at a time when Washington lawmakers' interest in derivatives has been revived by the collapse of Barings of the UK.

Most US security firms carry out their business in derivatives - financial instruments whose values are based in part on some underlying asset or market - through separate subsidiaries which currently fall outside the jurisdiction of the SEC and CFTC.

Defending his decision to accept a voluntary code, Mr Levitt said it would provide greater flexibility for regulating a complicated area of the financial markets, and had produced action far faster than would have been possible

through Congress.

He added that, although the SEC's powers over securities firms do not explicitly extend to their derivatives businesses, he was confident the agency would be able to enforce the regulations if needed.

Under the agreement, the six firms will have to follow a number of risk control procedures:

- They must report their largest risk positions to the SEC every three months, with the first reports due after the end of this month.
- They will agree to certain minimum standards in their risk-measurement systems, which are used as the basis for deciding how much capital they should carry.
- They must adopt set procedures for the way they handle relationships with companies and institutions to which they sell derivatives.

The last of these areas reflects concern among US regulators over the way in which both banks and securities firms have sold derivative instruments. The issue lies at the heart of the disputes between Orange County and Merrill Lynch, which sold many of the instruments which contributed to the company's bankruptcy, and between Procter & Gamble and Bankers Trust.

Mr Gerald Corrigan, senior executive with Goldman Sachs who as chairman of the New York Federal Reserve two years ago did much to publicise the rapid growth of the unregulated derivatives markets, was among those behind Wall Street's initiative. He said the regime could not prevent problems in the derivatives markets, such as the Barings collapse, though it could help minimise the risk.



Amado Avendaño, defeated for the Chiapas state governorship last year, greets an opposition crowd in Mexico City this week

## Fujimori on course to secure a second mandate

Sally Bowen finds Peru's president emerging from a border conflict with prospects of further power

About of old-fashioned jingoism, after the month-long border conflict with Ecuador, could propel President Alberto Fujimori of Peru into a second five-year term, via an outright victory in an election on April 9.

Opinion polls since the signing of two ceasefire agreements, which appear to have put an end to the current hostilities, indicate that popular backing for the president has passed the 50 per cent needed to avoid a run-off vote. Polls say only one Peruvian in five plans to vote for Mr Fujimori's closest challenger, Mr Javier Pérez de Cuéllar, former UN secretary-general.

"The incapacity of the opposition candidates to launch any effective attack on Mr Fujimori makes a first-round win look certain," says Mr Manuel Torrado, a political analyst. Research by his polling agency

Datum indicates Mr Fujimori could take 60 per cent of all valid votes.

With a month to go before polling, however, the opposition campaign has barely begun. The border conflict stopped domestic political activity, with all candidates desisting from attacks on the Fujimori government in the interests of "national unity".

Meanwhile, Mr Fujimori was receiving saturation media coverage. As commander-in-chief of Peru's armed forces, he took direct charge in the conflict, making numerous visits to the theatre of operations accompanied by selected journalists.

"Immersed in battle, President Fujimori has been the sole protagonist," complains Mr Alejandro Toledo, an economist and international consultant, and the third-placed of 14 candidates for the presidency. "How can the average Peru-

vian choose when deprived of the opportunity to listen to alternative proposals for government?"

In one of the political campaigns' rare broadsides, Mr Toledo last week accused the president of lying to the nation. But this, and his call for a postponement of the elections by several weeks, has received little backing from the public or fellow candidates.

Analysts predict Mr Fujimori may be damaged in the future by questions over the military and diplomatic handling of the dispute with Ecuador.

Mr Pérez de Cuéllar made sober, astute criticisms of the February 17 "peace declaration", signed in Rio de Janeiro, both for its vague terms and its apparent concessions to Ecuador. Although he found little popular echo, experts on international law agree the diplomatic settlement could prove a

problem for Peru in future negotiations.

There are also uncomfortable rumblings within Peru's influential armed forces. Certain generals believe they were denied the outright military victory over Ecuador their superior numbers would have ensured in a longer conflict.

In an unusually speedy attempt to divert possible criticism from Mr Fujimori, a diversionary campaign - believed by some to have been orchestrated by the national intelligence service - has picked out a scapegoat. General Vladimiro López Trigo, who commanded the conflict zone, was unexpectedly replaced last week and subjected to media accusations of negligence.

At the height of the conflict last month, he had denied a premature presidential

announcement, later modified, that Peruvian troops had recaptured the key forward post of Tiwinza. Several attempts by Mr Fujimori to reach Tiwinza to raise the flag had to be abandoned.

Whether the conflict can be turned to enhance the political influence of the army - and of General Nicolás Hermosa Ríos, head of the joint chiefs of staff - is as yet unclear. The military, though, will press for increased spending to match Ecuador's modern weapons.

Peru's well-funded intelligence service, meanwhile, will have to explain away its failure to warn over Ecuadorian troop infiltration and military build-up over a long period before the hostilities.

Even if not provoked or sought by Peru, the border conflict is a setback to the international image of modernity and stability which the

Fujimori administration has been promoting. While there have been no substantial withdrawals of foreign capital from the Lima stock exchange, investors are likely to be more cautious.

There could be implications for Peru's radical privatisation programme. The pending sale-off of oilfields, refineries, electricity generating plants and port services is likely to be reconsidered, with growing public fears of seeing "strategic" enterprises controlled by foreigners.

Everything indicates that a second Fujimori administration will face tougher opposition.

Polls indicate that his Change90/New Majority party may win only a third of the 120 congressional seats. Mr Fujimori, a self-confessed authoritarian, may well face an opposition majority.

## AMERICAN NEWS DIGEST

## Argentine tax law advances

The Argentine Congress has taken important steps towards passing a series of pensions, labour and tax laws deemed essential by the government to boost national competitiveness and to help overcome the country's financial crisis.

The Senate passed, on Wednesday night, legislation that will cap state pensions and a bill to deregulate labour norms in medium-sized companies was approved by the lower house of Congress.

A law to broaden the tax base, part of the government's recent \$1.3bn (£2bn) austerity package, passed its committee stage, as did a controversial bill aimed to cut the cost to employers of accidents at work.

The series of measures, many of which have lingered for months in a divided and poorly motivated Congress, are designed to restore order to Argentine finances and to reduce labour costs, so as to boost employment and exports.

Mr Domingo Cavallo, economy minister, addressed the lower house, saying it was vital that Congress respond to the urgency of the moment by passing long-delayed legislation.

Mr Cavallo assured deputies that, despite the "very serious nature" of the financial crisis, the government would not betray savers and investors by slipping into previous habits of freezing bank accounts or restricting the movement of capital.

He also urged the passage of a bill that would allow Argentina to put up its 20 per cent stake in privatised oil company YPF as collateral against international loans worth nearly \$2bn. However, for lack of a quorum, the bill was not read.

Bankers in New York said yesterday there had been discussion this week among senior bankers about a possible credit for Argentina, but that the discussion had been inconclusive. The discussions were instigated by JP Morgan, they said.

David Pilling, Buenos Aires

## Big Blue wins RSI case

IBM has successfully defended itself against a claim that its computer keyboards caused disabling repetitive strain injuries.

The case, filed in Minnesota last year by a school secretary who claimed that her use of IBM and Apple computers caused injuries, has been watched as a sign for how other US courts may rule in hundreds of similar cases pending.

Apple Computer denied the charges but last week reached an out of court settlement stating that its lawyers had erred in not disclosing certain documents to the plaintiff's lawyers.

The IBM portion of the suit was decided by a jury which determined on Wednesday that IBM had used "reasonable care" in designing its computer keyboards and was not negligent for not warning users of the dangers of injury.

IBM has consistently maintained there is no credible scientific evidence linking the use of computer keys with injury, an IBM official said. "This verdict is confirmation that IBM-designed keyboards are ergonomically safe."

During the nine-week trial, IBM argued that some of the plaintiff's injuries stemmed from a 1988 car accident and from playing volleyball. IBM also argued that any tool can cause fatigue when used long enough.

IBM still faces 300 similar lawsuits in the US. Louise Kehoe, San Francisco

## Costa Rica seeks deficit cut

Costa Rica's government is aiming to cut its fiscal deficit by two-thirds this year, to between 2.7 and 3 per cent of GDP, President José María Figueres said yesterday.

He said election year spending had helped push last year's deficit to 8 per cent of GDP. A further 1.5 per cent had been the one-time costs associated with the closure of a state-owned bank, Banco Anglo, where irregularities had been discovered. Mr Figueres, in London to give a speech on his government's plans for sustainable development, said the difference would be met from spending cuts, better tax collection and some additional taxes.

Mr Figueres said his government, in power for 10 months, was more committed to the Central American Common Market than was its predecessor. It realised, among other things, that foreign investment would be more likely to flow to the Central American market, with its 30m people, than to the small individual countries. Stephen Fidler, London

## Bolivian sell-off progresses

The Bolivian government expects to have sold off all but one of its main state enterprises this year, the minister in charge of the programme said.

Mr Alfonso Revollo said in London that all the companies, with the possible exception of YPFB, the state oil company, should be "capitalised" this year. YPFB should be sold in the first quarter of next year, he added.

Legislation has already passed Congress to pave the way for the privatisation of the electricity sector, and further legislation is being prepared to appoint a regulator and set tariff levels. A bill will soon be put before Congress for the privatisation of the state telephone company, he said. Under the capitalisation plan, which has fallen behind the government's schedule, some 50 per cent of the enterprises is handed over to an operator which commits itself in advance to an investment plan. The remaining shares are distributed to the population in special pension accounts. Stephen Fidler, London

## Flooding in California

A blustery Pacific storm poured as much as eight inches of rain into northern California streams yesterday, raising fears of new flooding in areas inundated two months ago.

The storm knocked out electrical power to more than 100,000 customers in the San Francisco Bay Area from Santa Rosa to San José, Pacific Gas and Electric said.

Some 200 people were told to evacuate a mobile home park in the wine country town of St. Helena, where the nearby Napa River began overflowing its banks yesterday morning. In the city of Napa, the river had risen seven feet overnight, and was flowing less than two feet below its banks. Residents of about 20 homes near Napa Creek were evacuated, and schools at St. Helena and Calistoga were closed. AP, San Francisco

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## NEWS: INTERNATIONAL

## PLO and Israel set date for talks

By Julian O'Zanne in Jerusalem

Israel and the Palestine Liberation Organisation broke months of stalled peace talks yesterday, setting a date for the completion of negotiations over the extension of Palestinian self-rule to the still-occupied West Bank.

The setting of a target date of July 1 in a meeting between Mr Shimon Peres, Israeli foreign minister, and Mr Yasser Arafat, PLO chairman, was accompanied by a series of confidence-building measures to be taken in the coming week after months of a virtual suspension of the process.

The agreement was reached hours before Mr Warren Christopher, US secretary of state, arrived in Israel to boost Arab-Israeli peace talks and three days ahead of a visit to Israel by Mr John Major, the British prime minister.

Mr Peres said both sides had committed themselves to completing negotiations between June 15 and July 1 over the second phase of the peace process involving an Israeli troop redeployment out of Palestinian population areas and the holding of Palestinian national elections.

"I consider it a breakthrough in the second stage of our negotiations," Mr Peres said. "Whatever we took upon ourselves we will implement, including issues of redeployment, elections, security and economic co-operation."

Mr Arafat said he hoped yesterday's talks would break the deadlock and lead to the speedy implementation of the extension of Palestinian self-rule. "That is what we hope for. We have to wait and see."

Israel has traditionally said no dates are sacred in the peace process and has repeatedly missed the timetable outlined in the Israeli-Palestinian peace accords. Under the agreement Israel was supposed to have completed its redeployment from the West Bank and allowed Palestinian elections last July.

Among the measures agreed are transferring further power to the Palestinian Authority over economic issues in the West Bank; ending Israel's freeze on completing safe passage agreements for Palestinians to travel through Israel from Gaza to the West Bank; forming two high-level security and civilian issues committees to speed negotiations and agreement for the construction of nine industrial parks on the Israel-Palestinian borders to ease Palestinian unemployment caused by Israel's ban on thousands of Palestinians from working in Israel.

Mr Peres also said a ministerial committee would meet next week to discuss the long-delayed release of Palestinian prisoners.



Shimon Peres, Israel's foreign minister, speaking to Warren Christopher, US secretary of state, on his arrival at Ben Gurion airport yesterday

## NPT under Middle East cloud

Julian O'Zanne and Shahira Idriss on Egypt's campaign over Israel

Egypt's determination to force Israel into a commitment to dismantle its nuclear arsenal has created mounting tension in its relations with the Jewish state and could prove a serious obstacle to efforts by the US to combat the spread of nuclear weapons.

President Hosni Mubarak yesterday held out against American pressure to end Egypt's campaign to rally Arab, Islamic and non-aligned states to oppose an indefinite extension of the Nuclear Non-Proliferation Treaty next month unless Israel signs the accord.

After talks with Mr Warren Christopher, US Secretary of State, in Cairo Mr Mubarak said Egypt had not changed its mind, but he held out the possibility of a last-minute compromise if Israel committed itself to a clear non-proliferation timetable.

"I don't mean that they (the Israelis) could demolish or remove everything now, but we should have a timetable or something on any concrete steps to be taken," he said. The Egyptian campaign has been gathering pace in recent months, marking Cairo's renewed bid for leadership of the Arab world at the possible risk of damaging the Egypt-Israel-US alliance which has been the cornerstone of Middle East peace since 1979.

The US is pushing hard to ensure the NPT - the strategic underpinning of efforts to halt the spread of

nuclear weapons - is extended indefinitely during an NPT renewal conference which begins next month in New York.

Apart from Mr Christopher, Mr William Perry, US defence secretary and Mr Robert Pelletreau, US assistant secretary of state, and ambassador Thomas Graham, head of the US delegation to the NPT conference, have all visited Cairo recently to push one of Washington's highest foreign policy goals.

Israel has long maintained a policy of deliberate ambiguity about its nuclear capability, refusing to confirm or deny whether it possesses nuclear weapons. Israel, together with Pakistan and India, are known as the last three NPT holdouts and have steadfastly refused to sign the treaty and open their installations to international inspection. Once a country signs the NPT, it must dismantle its nuclear weapons as South Africa did in 1990 before signing the treaty in 1991.

International nuclear experts estimate Israel has built up an arsenal of up to 200 nuclear weapons over a 20 year period at its Dimona nuclear facility in the Negev desert.

Mr Shimon Peres, Israel's foreign minister, spoke recently about Israel's "deterrent capability" and said the Jewish state would not sign the NPT until there was a comprehensive regional peace and until it was sure countries like Iran, Iraq and Libya do not pose a threat to its

existence. Israeli military experts claim Israel's nuclear deterrent is critical not only because of Iran's growing nuclear programme but also because of a potential conventional attack by Arab states and the increasing acquisition of non-conventional weapons in the region. They also believe the NPT system is weak and unreliable in the light of the discovery of Iraq's clandestine nuclear programme, developed in spite of Baghdad's membership of the NPT.

Israeli officials say a part of Egypt's motives in raising the NPT issue now is to restore its leadership role in the Arab world which has been increasingly eroded as Israel makes peace and independent links with Arab states such as Jordan, Morocco, Tunisia and Qatar.

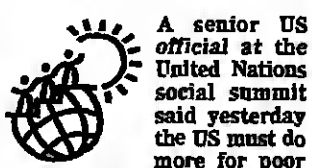
Mr Mubarak's position is popular in Egypt where anti-Israeli sentiment remains high. In Israel, however, the government's determination to hold on to its capability is also popular. A recent poll showed 71 per cent of Israelis do not want Israel to give in to Egyptian pressure to sign the NPT.

Analysts believe that if no last-minute compromise is reached, Egypt will not be able to block a vote by a majority of the NPT's 172 members in favour of extension. As a signatory Egypt is bound by a majority vote. Cairo, and the other states which support its position, will then have to choose whether to withdraw from the NPT - a move which would mean a serious breach with Washington and a loss of foreign aid.

A more likely alternative would be for a fixed period extension with Israel taking some steps - public or private - to reassure its neighbours that its long-term goal is a nuclear free Middle East.

Egyptian officials say their cam-

## US looks for answers to poverty



A senior US official at the United Nations social summit said yesterday the US must do more for poor Americans and that it was studying techniques used in its overseas aid programmes to see if they could be applied at home, Reuters reports from Copenhagen.

Speaking at the summit, called to try to end world poverty, slash unemployment and fight social injustice, Mr Timothy Wirth, undersecretary of state for global affairs, said the gap between rich and poor must be closed, both at home and around the world.

UN surveys show that while the US is the world's richest country, it has pockets of urban poverty and deprivation similar to those of the poorest developing nations.

Mr Wirth said his government was studying some of the aid programmes of the US Agency for International Development (AID) to ascertain if the same techniques could be employed to help the underprivileged at home.

Meanwhile, delegates were still striving for agreement on a blueprint to narrow the gap between the world's rich and poor countries, which world leaders are due to sign at the weekend.

## INTERNATIONAL NEWS DIGEST

## Congo ministers take pay cut

Government ministers in the central African state of Congo have decided to take a pay cut as part of an austerity package to save their central African state's economy from collapse. The announcement of the package comes on the eve of a visit from a team from the International Monetary Fund and in the middle of a strike by civil servants, who are demanding 14 months' back pay. Officials said members of parliament would also have their pay cut, the number of embassies or consulates would be cut and ministers' foreign visits limited.

The number of jobs in the civil service would be cut by a view to cutting the salary bill from CFA 135bn (£185m) to CFA 120bn in line with IMF loan conditions. Last year Congo signed a tough austerity programme with the IMF. The IMF mission, expected to arrive on Friday, is due to review Congo's progress towards meeting its terms for fresh loans. Congo's foreign debt is about \$5bn, mostly owed to France. Civil servants have been on strike since February 20. Reuters, Brazzaville

## Bahrain hit by sabotage

Bahrain yesterday reported fresh acts of sabotage against public installations and said it would take strong measures to implement law and order. The official Gulf News Agency quoted an interior Ministry statement as saying a group of six anti-government militants had admitted setting fire to a petrol station, two power transformers and offices of the Bahrain International Exhibition. Bahrain said last Saturday that protesters had tried to set fire to a sports club, a post office and a power transformer. Unrest first broke out on December 5 to protest the arrest of a fiery young Shia Muslim cleric and to demand restoration of a parliament dissolved by the government in 1975. Reuters, Manama

## Nigerian politician arrested

Mr Shehu Yar'Adua, a leading Nigerian politician, has been arrested by the military regime in the capital Abuja, his personal assistant said yesterday. He is the most influential delegate at the constitutional conference now in session in Abuja and was the prime mover behind a resolution last December that the military regime should hand over power on the January 1, 1996. The arrest, on unspecified charges, follows numerous arrests last week of military personnel amid widespread speculation about an attempted coup plot. Mr Yar'Adua, a 51-year-old retired general was number two under former president Olusegun Obasanjo, the only military leader to have handed power to elected civilians in 1979. Paul Adams, Lagos

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## NEWS: UK

# Westland beats Boeing in big helicopter deal

By Bernard Gray,  
Defence Correspondent

Westland has beaten Boeing of the US to win the bulk of an order to supply the Royal Air Force with transport helicopters worth a total of £1.2bn (£220m).

But the UK company's success came only after ministers formally overrode the Defence Procurement Executive's duty to buy the best value-for-money aircraft. By buying the Westland EH101 helicopter, the Ministry of Defence will be spending £200m more than it had bought only Boeing Chinook helicopters.

Mr Malcolm Rifkind, defence secretary, said the MoD would buy 22 of Westland's new EH101 helicopter, which is produced jointly with Agusta of Italy, and eight Chinooks to expand the RAF's existing fleet of 30 Chinooks. A further six Chinooks are to be bought to replace those which have been lost in operations.

The order will increase the RAF's transport helicopter capacity by 70 per cent and secure a minimum of 1,500 jobs for 10 years at Yeovil in south-west England where Westland - a subsidiary of the GKN engineering group - is based. It also opens up export prospects for the EH101, which would have been blighted if the RAF had not backed the helicopter.

The additional £300m of one-off costs comes because new training, spares and storage

facilities will be needed for the helicopter. Under civil service rules Mr Malcolm Rifkind, the chief of defence procurement, could have been censured by the House of Commons public accounts committee for spending the additional money.

The decision to go for the EH101 was made on wider industrial and employment grounds. Mr Rifkind said it was the first time he had overruled the value-for-money criteria.

"The EH101 is a modern design which offers advantages of operational flexibility. These include commonality with the Royal Navy's Merlin helicopter," Mr Rifkind said. The navy has already ordered 44 of the anti-submarine Merlin version of the EH101.

Italy, which originally had a requirement for 35 EH101s and shares equally in the development costs and production, has yet to place an order. The Italian government is expected to buy 16 of the helicopters later this year.

Sir David Lees, chairman of GKN, said he was delighted by the announcement. "This is very good news for Westland. There is considerable interest in all variants of the EH101 in the Middle East and Far East."

Mr Jack Satterfield, a spokesman for Boeing, said that the company was pleased to be supplying more Chinooks to the RAF. However, he added: "We are disappointed that the order was not larger."

## Military needs catch up with political delays

Bernard Gray reports on battles and bargains behind the scenes

The reasons for yesterday's helicopter purchase say a great deal about how defence procurement has changed since the fall of the Berlin wall. Falling defence spending is squeezing manufacturers and forcing cuts in research and development. The difficulty of reaching the decision is a warning to European manufacturers that they are going to have to adapt to survive in the highly competitive and hostile new trading environment.

It is eight years since a Conservative minister announced the government's intention to buy Westland EH101 machines. Since then, the cost of the EH101 has risen, and there has been a change of heart by the Royal Air Force about whether it wanted Westland's helicopter. This period has also seen the end of the cold war and a postponement of a decision on which helicopter to order in 1991. Only when Mr Malcolm Rifkind, the present defence secretary, put the issue back on the agenda at the end of 1993 did wheels finally start to turn.

Significantly, Mr Rifkind yesterday also ordered eight new US-made Boeing Chinook helicopters as additions to the

**The bill has risen from £300m to more than £1bn while the defence budget has shrunk**

RAF's fleet, and a further six to replace existing RAF Chinooks which have been lost in service. The Chinooks can carry twice as much as the EH101 and are used to transport very large loads. Chinooks were not mentioned in the original 1987 announcement and they give a clue to the argument behind the scenes at the MoD.

The pressure on defence budgets following the end of the cold war came at an unfortunate time for Westland, particularly since in the late 1980s the development cost of the EH101 was rising. In 1987 the cost of the EH101 fleet was put at less than £300m. Now, with the Chinooks added in the total bill is more than £1.2bn, and the overall defence budget has shrunk. The squeeze prompted the RAF, which operates transport helicopters on behalf of the British army, to look at alternatives. It considered the US Black Hawk helicopter but eventually rejected it, finally settling on the Chinook.

In many ways the Chinook makes sense. The RAF already operates a fleet of 30, so buying more would save on storing

spares for two types of helicopter and cut training bills for pilots. The Chinook can also lift twice as much as the EH101.

But the RAF had another motive for wanting the Chinook: it is desperate to ensure that it gets 250 Eurofighter next-generation combat aircraft which will cost the UK £12bn over the next 15 years. Anything it can do to save money elsewhere may help protect the Eurofighter programme.

The army, which is the real user of transport helicopters, has been coy about which aircraft it favours. Its top priority is to get 100 McDonnell Douglas Apache attack helicopters to work in tandem with its new Challenger tanks. Behind the scenes, the RAF is said to have hinted that it would support the army's choice of the Apache if the army would agree not to oppose the Chinook.

With the forces split and budgets under pressure, it was easy for ministers to postpone a decision. But real military need eventually caught up with politics: the army has increasingly found itself short of transport helicopters. At the end of 1993, Mr Rifkind said that he intended to order both the EH101 and some Chinooks, needed for heavy lift work. Negotiations have continued since then with both companies.

Westland has faced an uphill struggle, since not only has the cost of developing the EH101 soared, but the installation of hangars, training simulators, and spares stores have all added to the cost of buying it. These additional costs are about £200m, according to Mr Rifkind.

Set against that, the aircraft is faster and more agile than the Chinook and can fly in all weathers. It is also a more modern, and so a more reliable, design.

But the factor which may have swung the MoD's decision is that the helicopter's export prospects would have been destroyed if the RAF had spurned the EH101.

There are export prospects in Saudi Arabia and Australia for anti-submarine versions of the EH101, and it may win orders from the US Marines.

Yet in fighting for exports, the EH101 faces not only the Chinook, but also the NH-90, a new helicopter built by a rival European consortium, Eurocopter, as well as other present generation helicopters such as the French Super Puma.

The EH101 has got the lift it needed. It is now up to Westland and Agusta to prove that it can carry the burden of those expectations.

# Shake-out in pharmaceuticals may not be over

Clive Cookson and Jenny Luesby explains how Glaxo's takeover of Wellcome may affect the industry

Glaxo's successful £29bn bid for Wellcome is the latest and largest in a series of recent moves that have transformed the UK pharmaceutical sector - the only industry in which the country is an undisputed world leader.

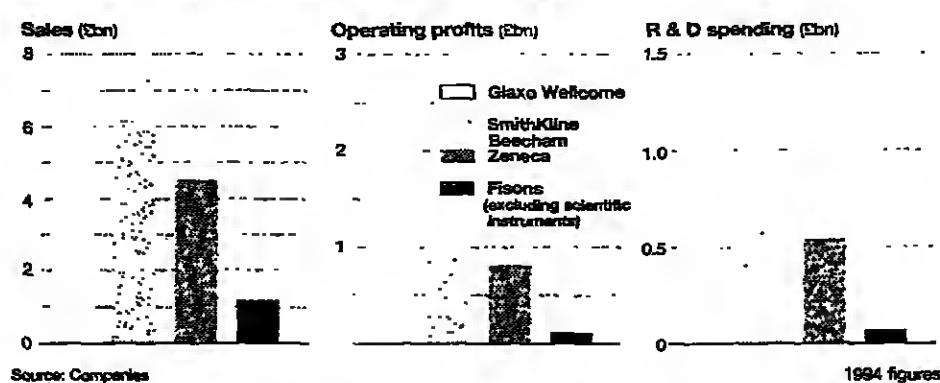
A year ago there were six established research-based drug groups with headquarters in the UK: a top tier of four (Glaxo, SmithKline Beecham, Zeneca and Wellcome) and two smaller companies (Fisons and Boots).

Now the pharmaceutical arm of Boots belongs to BASF of Germany, Fisons has in effect abandoned its ambitions of becoming a global research-based drug company, and Glaxo is on the point of swallowing Wellcome to create the world's biggest pharmaceutical group.

The new line-up of three companies looks far from equal. The combined Glaxo Wellcome will have a turnover of about £28m a year - all from drugs. SmithKline Beecham's pharmaceutical sales were worth £3.6bn last year and Zeneca's £2.0bn.

Zeneca's pipeline of new drugs looks healthy and its 1994 results announced last week - pre-tax profits up 4 per cent to £659m - were well received. Even so the company

## The UK pharmaceutical industry



formerly ICI's hosiery business - looks exposed in a strategic sense. It is 19th in the world league of pharmaceutical companies, at a time when analysts expect medium-sized groups to be squeezed in an increasingly competitive global market.

Mr Bill Pike, UK life science partner at Ernst & Young, says: "Zeneca could be either a predator or prey for someone else." The company's interest in making a counter-bid for Wellcome suggests that Zeneca executives might be prepared to make a very large acquisition, such as Warner-Lambert of the US. But it is thought

that they were more keen to take a stake of up to 30 per cent in Wellcome and form an alliance, rather than make a full takeover bid.

Zeneca is well placed to take a stake in a middle-sized player. Its gearing is negligible, it is thought to have secured financing of £5bn, and it could realise up to £3bn through the disposal of its agrochemicals and specialty chemicals divisions.

An alliance would protect the company while maintaining its positive net worth. And recent events suggest that there would be some institutional support for such a move;

the possibility of an acquisition triggered only a small fall in Zeneca's share price last week. But whether Zeneca really wants to expand by acquisition is questionable. It may have just been responding to an unusual opportunity in Wellcome.

Zeneca insists that it has the critical mass to stand alone. It has no need to make a defensive move, executives say, and its performance and strong product pipeline would enable it to mount a vigorous defence should the need arise.

Nonetheless, with Zeneca's specialty chemical business continuing to act as a drag on

the growing pharmaceutical company, there is a real chance that companies which have already been shopping in the pharmaceutical sector might show an interest.

Indeed, the creation of Glaxo Wellcome may have increased the pressure on medium-sized companies to go for further expansion.

Meanwhile, Glaxo and Wellcome executives have been closeted in meetings, beginning to work out the process of "integrating the two businesses successfully into the world's leading research-based pharmaceutical company," as the two chief executives, Sir Richard Sykes of Glaxo and Mr John Robb of Wellcome, put it in a joint statement.

They said it was much too soon to give details of the "inevitable job losses and redeployments," but promised staff that the process would be "fair and objective".

Integration project teams will be set up first at senior level and quickly extended down the company.

Wellcome sources said last month, during their unsuccessful search for an alternative bidder, that 10,000 to 15,000 of the 60,000 staff in the combined worldwide group - including 3,200 to 4,300 in research and development - might lose their

jobs after a Glaxo takeover. Dr Trevor Jones, head of the Association of the British Pharmaceutical Industry, said that the spin-off of researchers and projects from the merged R&D operations might benefit other companies.

For example, Wellcome and Glaxo each have a migraine drug in development; the combined company would probably keep one and license out the other. "There could be opportunities here for smaller companies such as Fisons to acquire new drugs," he said.

Both Dr Jones and Mr Pike see an opportunity for Glaxo Wellcome to spin off surplus research teams - with appropriate funding - to universities or even hiotechnology companies.

"If there is a significant spin-off of R&D people and technology, then I don't think there will be a net loss of research effort as a result of the merger," Mr Pike said.

Staff at SmithKline Beecham - only now settling down from the after-effects of their own merger five years ago - are looking on from the sidelines.

Although we did regard Glaxo and Wellcome as our two major competitors, we don't expect the takeover to affect us much," said one SB executive.



Moroccan teachers get special at the Los Angeles Braille Institute. A winning idea in KLM's Bridging the World.

John 11/10/95



Accountants are chosen to start inquiry in Singapore ■ ING rival may buy a London institution

## Central bank widens scope of investigation



The Bank of England yesterday tried to quell criticism of its inquiry into the collapse of Barings, the UK merchant bank, by announcing that independent members of its board of banking supervision would examine its own role, our Financial Staff write.

The move, under which the six outside members of the board will report separately on supervision of Barings, is thought to follow expressions of concern from both the Treasury and Downing Street at the

form of the inquiry. Mr Kenneth Clarke, chancellor of the exchequer, also indicated yesterday that the government wants the inquiry into Barings' collapse last week to be completed rapidly. He said he welcomed "the board's recognition of the need for urgency".

The Bank of England said it had responded to criticism by politicians in setting up an independent mechanism for the examination of its role. It said that Mr Eddie George, the governor, was "sensitive" to such criticism.

Barings' operations resumed trading yesterday after final agreement was reached with Internationale Nederlanden

Group, the Dutch bank. ING bought the businesses for \$660m after it collapsed due to derivatives losses of \$680m.

Investigations intensified yesterday into the reasons for the collapse of Barings. Ernst & Young, the administrator of Barings, said it had begun inquiries in preparation for possible legal action and insurance claims.

The Singapore government appointed Price Waterhouse, the accountancy firm, to examine allegations of fraud at Barings Futures (Singapore). This was the unit managed by Mr Nick Leeson, the trader

accused of bringing down Barings. Mr Aad Jacobs, ING

chairman, said that Mr Peter Baring, the chairman of Barings, had offered his resignation. However, Mr Jacobs said that he wanted Mr Baring to remain in the bank at least until his planned retirement in October.

Mr Jacobs said he would await the outcome of the Bank of England inquiry before acting against any Barings executive. But although he had no evidence, he believed it likely that another executive must have helped Mr Leeson.

He said in an interview with the Financial Times that it would be "even more fantastic" if Mr Leeson acted alone. "It is almost impossible that

you can lose that kind of money, \$680m... without the help of someone in the bank."

Mr Jan Kalf, chairman of ABN Amro, the rival of ING which wanted to buy Barings' corporate finance operations, said that he believed the consolidation of investment banking in London could give ABN Amro the chance to buy a merchant bank. Mr Kalf said he "expected some further movement" in London and ABN would "certainly keep our eye on it".

In Singapore, reports that records of Barings Futures' deals had been destroyed were played down. An executive of Price Waterhouse executive

said that records were "a bit messy" but any lost records could be re-constructed.

Mr George wrote to Mr Clark yesterday, to explain how the board of banking supervision, whose six independent members are appointed jointly by the Bank and the Treasury under the 1987 Banking Act, will carry out its enquiry.

The board includes Mr George, Mr Rupert Pennant-Rea, the deputy governor, and Mr Brian Quinn, the executive director for financial stability.

Mr George said the six outside members had "agreed that they will make their own assessment of the Bank's supervision of Barings."

## Ford's Jaguar offshoot soon to win £70m state aid

By Kevin Done, Motor Industry Correspondent

The UK government is expected to approve later this month a state aid package worth between £70m (\$115m) and \$80m for Jaguar, the UK luxury car subsidiary of Ford of the US.

It is understood to be ready to back Jaguar's plans to build a new range of smaller sports saloons, which would create between 1,000 and 1,100 new jobs at Jaguar and 6,000 to 8,000 jobs

in the automotive components industry.

The government is confident its proposed aid package will win the project for the UK in the face of competition from Ford plants in the US. It believes the investment by the US carmaker would be a strategic commitment by Ford to creating a world-class luxury car manufacturing centre in the UK.

Ford had previously made clear it was prepared to make the X300 the

first Jaguar to be built outside Britain if it failed to obtain the necessary financial support.

Jaguar's UK plants have been competing for the project, code-named X300, with a Ford plant in the US at Wixom near Detroit, where Ford assembles its Lincoln brand luxury cars. The aid package is expected to be submitted next month to the European Commission.

Provided Brussels approves the project by May or June, the final

go-ahead is expected to be given by the Ford board in the summer. Investment in the project could total about \$500m.

It is planned that land currently owned by Jaguar close to its Whitley engineering centre in Coventry would be developed as an industrial park to be used by future components suppliers to the Jaguar plant.

Jaguar plans a new assembly plant at its current site at Castle Bromwich, Birmingham, where bodies for its

existing XJ luxury saloons are welded and painted before final assembly at its Browns Lane plant in Coventry.

Production of the X300 would begin in the autumn of 1998. The plant would have an initial capacity for 70,000 to 80,000 cars a year.

Engines will be supplied mainly by Ford's plant at Bridgend, south Wales, where a facility is already being built for the manufacture of a new family of V8 engines for Jaguar at a cost of more than £100m.

### UK NEWS DIGEST

## Dispute clouds premier's visit to Jerusalem

The Foreign Office said yesterday that Mr Douglas Hogg, a junior foreign affairs minister, would not accompany Mr John Major, the prime minister, on an official visit to Israel. But officials denied that Mr Hogg had been ordered off the delegation in order to avoid offending Israeli sensibilities on the status of Jerusalem. Mr Major's first visit to Israel, the occupied territories and Jordan next week was in danger of being overshadowed by a row with Israel because of plans for Mr Hogg to visit Orient House, the de facto headquarters of the Palestine Liberation Organisation in Israeli-occupied east Jerusalem.

The Palestinians want Arab east Jerusalem - occupied by Israel after the 1967 six-day war - to be recognised as the capital of the state they hope to build in the occupied territories through the peace process with Israel. The Israeli government takes strong exception to any recognition of the PLO's political status in the eastern quarter of the disputed city and has complained about plans for Mr Hogg to visit Orient House. Instead a senior official from the Foreign Office in London will pay a "courtesy call" at Orient House. This formula appears to avoid any diplomatic embarrassment for Mr Major, who will receive Mr Faisal Husseini, the senior PLO official who runs Orient House, at the residence of the British consul-general, which is also in Arab east Jerusalem.

David Gardner, Middle East Editor

## Confidence on solvency tests

Lloyd's of London will pass UK regulators' solvency tests this year even if a fresh attempt at an out-of-court settlement of Names' legal claims does not succeed, Mr Peter Middleton, the insurance market's chief executive, said yesterday. Mr Middleton said the "mood is now in favour of a settlement" because Lloyd's litigation was becoming increasingly complex. He added that terms for a deal are expected to be presented to Names - individuals whose assets have traditionally supported the insurance market - by the end of May.

But Mr Middleton said failure to strike a deal, following an earlier unsuccessful attempt last year, would not prevent Lloyd's from proving to the government that the liabilities of all Names could be met. "Achieving a settlement of the disputes is not a factor in whether Lloyd's passes solvency," Mr Middleton said at a conference organised by the Society of Names, which represents loss-making Lloyd's members.

Ralph Atkins, Insurance Correspondent

## Workers face long hours

Three out of four British men - 76 per cent - work 40 hours or more a week - more than three times the European Union average proportion, says the Trades Union Congress. The TUC said a survey it commissioned showed that British men work the longest hours in Europe. It also showed that, when unpaid overtime was included, the figures were much worse than government data suggest. The survey found that 49 per cent of men and 10 per cent of women work 45 or more hours a week. The research also revealed a serious mismatch between the hours people want to work and those which are available. Fifty-three per cent of women and 14 per cent of men said they would prefer to fewer than 30 hours per week, but only 40 per cent of women and 3 per cent of men were able to do so.

Employment Staff

## Sharp rise for City rents

Rents for the best City of London offices could double by 1998 because of a dwindling supply of suitable space, says the Corporation of London, the municipal authority for the City. In its annual office market commentary, the Corporation backed projections by independent forecasters that headline rents for prime City offices could rise to £517 a square metre in three years. Tenants let 440,000 sq m of office space in the City last year, an increase of 3 per cent over 1993. While UK and US banks cut staff and space requirements during the year, mainland European banks such as Banque Indosuez and ING Bank took additional space.

Simon London, Property Correspondent

Army officers to lose jobs: Almost 100 senior army officers including 17 major-generals, 32 brigadiers and 48 colonels were made redundant yesterday. In total more than 16,812 redundancies have been made over the past three years as the British army shrinks from 156,000 to about 120,000 after the end of the cold war.

Climbers found dead: The discovery of three dead men in the Glencoe brings to 18 the number of climbers found dead on Scottish mountains this year. The three had not been seen since Saturday, and the alarm was not raised until they failed to return to work. Although few Scottish mountains are much higher than 1,000m, the weather can be very harsh and changeable.

Protest over fire: Mr Michael Howard, home secretary, said he "entirely understood" the indignation felt about the firing of a policeman who hit a man who had threatened to throw his baby out of a train window. The policeman had been off duty at the time with his wife and the child. A Conservative MP complained in the House of Commons that the "young yobbo" in the case had not been charged even though the policeman had arrested him.

## Ministers yield on EU-wide visa

By Lionel Barber in Brussels

The government yesterday bowed to pressure from Tory Eurosceptics and delayed agreement in Brussels on a new EU-wide format for visas. Mr Michael Forsyth, a Home Office minister, said approval would be subject to a House of Commons debate on external border controls, but held out the prospect of a deal shortly.

Reaction among other member states attending an EU interior ministers' meeting in Brussels was relaxed, though diplomats said the refusal to commit to an agreement in principle undermined how the UK's policy on Europe is vulnerable to attacks from Euro-rebels.

The UK agreed to introduce a identical-looking visa when it signed the Maastricht treaty in 1991. But Tory Eurosceptics have successfully linked the question of the uniform visa to the emotive issue of border controls and immigration as part of the wider argument

over Europe which has split the party. British officials in Brussels yesterday played down prospects of an early move to a common EU visa policy which would involve mutual recognition of visas among EU member states - a move which Eurosceptics fear could lead to a weakening of UK border controls. Harmonisation of visa policy will not happen in the near future because it is linked to the long-stalled EU external frontiers convention which remains blocked by a dispute between the UK and Spain over the status of Gibraltar. The EU is seeking, however, to reach agreement on a common "negative list" of countries whose citizens need visas for all 15 member states. MPs have expressed concern that this could cover some Commonwealth countries which currently enjoy visa-free access to Britain.

The European Commission's list covers more than 126 countries, compared to the UK's list of 74 countries.



In 1994, to celebrate 75 years of serving the travelling public, KLM Royal Dutch Airlines organised their world-wide Bridging the World Contest. The response was enormous with more than 12,000 entries from all over the world, all illustrating how bridges can be built to the benefit of our society.

The international jury, under the chairmanship of former Dutch prime minister Ruud Lubbers, has announced the twelve winners and KLM will be providing these twelve competitors with tickets and footing the bill for all travel and lodging expenses to turn their ideas into reality.

### Twelve winning entries

In addition to the group of Moroccan teachers who acquire more knowledge to help their blind compatriots, there are 11 other award-winning ideas:

- ◆ In an on-going determination to bridge the world of disability differences, a team of USA specialists with some 100 wheelchairs, will fly to Ghana to help in a country where a wheelchair costs a life's savings.
- ◆ 10 shoeshine boys who spend their lives carrying around their stools, cloths, brushes and polish in the magical city of Istanbul will be flown to the Eifelring, the Dutch forest of fairy-tales, to live their own fairy-tale from the other side.
- ◆ Volunteer cooks who daily serve meals to the elderly in Moscow will fly to Amsterdam to receive special training in the preparation of simple yet nourishing food. KLM will provide the elderly with meals during the training period.
- ◆ Kiev, once a flourishing centre of the arts in Eastern Europe, has lost much of its talent. Now seven international music professors will fly to the Ukraine to hold master classes for young talent.
- ◆ A group of young Brazilian street children of the first team of Exceola Futebol, who are fighting to free themselves from their glue-sniffing addiction, will play their dream football team: PSV in Holland.
- ◆ Small children from the five continents will gather in Copenhagen, the birthplace of Hans Christian Anderson, and together with authors and illustrators, will write a modern fairy-tale entitled "Peace".
- ◆ An orchard of 75 citrus trees will be planted at a bible training college in Malawi by a family of a former teacher. The students and their families will enjoy vitamin-rich fruit and earn a little extra income. The special trees will be flown to Lilongwe from Israel.
- ◆ A group of 24 craftsmen, masons, carpenters, electricians, and engineers from the USA and Europe will fly to Guinea to build a much needed health clinic there in just one week.
- ◆ A Dutch TV producer has been following the lives of six babies and their families in six very different countries. The families will meet for the first time together in South Africa, a country that today symbolises the uniting of nations.
- ◆ One of the most moving diaries ever written begins: "My name is Anne". 25 Annes from all over the world will fly to Amsterdam for a week and keep a diary of their friendships and their growing understanding of each other's cultures.
- ◆ Artists from Zimbabwe will paint a newly constructed drawbridge in Haarlem, Holland, thus symbolising the building of bridges between different nations and cultures of the world.

### 81 other ideas awarded

The twelve winning entries show the level of commitment and involvement which many people have with the plight of others. This sharing and caring was very much a feature of all the entries and made the selection of the best ideas a very difficult task indeed.

KLM is therefore pleased to offer tickets to 81 runners-up so that many more of these moving ideas for bridging the world can be turned into reality.

### A world of thanks

KLM would like to thank all the many people who took the time to put down their ideas on paper and who have helped make this contest such a memorable and moving experience. It shows that even in today's world of global communications and travel, there are still many bridges that have to be built.

The Reliable Airline





## NEWS: UK

## Sniggering voters taunt lovelorn MPs



While the tabloid press gets its teeth into another government sex scandal, some MPs are expressing concerns that the crusade for moral purity in politicians is out of touch with reality. The latest object of scrutiny is Mr Robert Hughes, a Conservative MP who was a junior minister until Monday.

Mr Hughes, realising that newspapers were after him, announced his resignation after admitting to an extramarital affair last year. He did so in customary fashion, with his wife alongside, pledging support. By yesterday, however, his future as an MP was being called into question after further allegations.

His local party was ruffled by reports that Mr Hughes's affair had been with a woman who had turned to him as her local MP for help after she feared that her violent boyfriend would be released early from jail.

It has become a truism in Britain to talk of public suspicion, if not contempt, of politicians as a breed. "There is now not just frustration but something much deeper," said Mr George Walden, MP for Buckingham. "There is a desire to humiliate and gloat over politicians' personal mishaps."

The case for the defence, which politicians are loath to make themselves, rests on two counts. Standards are demanded of UK politicians that are not sought in other countries, with the US the main exception. In France and Italy, the argument goes, politicians' ratings often increase on reports of an affair. In Germany the issue is usually seen as not of public concern.

Defenders of MPs also say the UK press applies standards to politicians that have long been accepted as out of date in society at large. "I am not condoning adultery," said Mr Michael Fabricant, another Conservative backbencher.

"But I do believe that if we are not to have a cabinet of saints or hermits, and if we are not to deter others from offering themselves for public service, then we have to take a more enlightened view."

In Mr Fabricant's view, the private life of an MP is not a matter of public interest unless it involves an illegal act or directly affects his or her professional work. Financial or other political misdemeanours are therefore more serious than legal sexual predilections.

In the view of many, Mr John Major's "Back to Basics" campaign changed all that. Launched in 1993 to divert attention from other troubles, it was perceived as a crusade to restore Victorian family values and fight against the "permissive society". The reaction was devastating. Newspapers that had previously refrained from enquiring about MPs' private lives concluded that they had now become part of the political domain. That "Back to Basics" has been long discarded is seen as irrelevant.

Mr Walden sees little prospect of change. "It is in our blood, this deadly mixture of puritanism and prurience," he said. "Society is going one way and politicians are being asked to be purer than they have ever been before."

Mrs Edwina Currie, one of the few former ministers not to have lost their jobs over sexual or financial allegations, takes a slightly more relaxed view.

The author of a novel about the private mores of MPs, Mrs Currie said the issue was not one of morality but honesty – the gulf between public image and private reality. "What voters don't like is the sight of candidates handing out happy family photographs during their election campaigns while 'rumour' girlfriends and producing illegitimate children all over the place," she said.

John Kampfner  
Westminster  
Correspondent



From left: "Minister of Fun" David Mellor; Tim Yeo, father of a child outside marriage; Eurosceptic Neil Hamilton; Allan Stewart, accused in package row; Charles Wardle, critic of EU immigration rules

## Ministers who have quit since last election

Almost too many to count...

**Today**  
ROBERT Hughes is the 17th member of John Major's government to resign or be sacked.

**Daily Mirror**  
LOVE cheat minister Robert Hughes yesterday became the 17th member of the Major government to be sacked by a newspaper. Twelve have now quit.

**Daily Star**  
TO lose one Minister is unfortunate. But John Major has lost 17 ministers.

1992 Sept: DAVID MELLOR national heritage secretary (also known as "minister of fun"). Age 45, married with two children. Endured a number of revelations beginning with affair with actress and ending with reports that daughter of an official of Palestinian Liberation Organisation had paid for Mellor family holiday. Said later: "The question is whether it's the prime minister or the tabloid editors who decide who should serve in the cabinet." Still an MP, he now hosts radio phone-in show.

Dec: NGEL FORMAN junior education minister aged 49. Left government unexpectedly only eight months after joining it. Downing Street said the man dubbed "fabulous Forman" at Oxford University for his extravagant taste in clothes was quitting for "personal reasons". Married with no children.

1993 June: MICHAEL MATES Northern Ireland minister aged 58. Had links with Asil Nadir, who was awaiting charges in connection with his failed Polly Peck empire. Mates insisted he had behaved properly throughout, but was damaged by his gift to Nadir of a watch inscribed: "Don't let the buggers get you down". Nadir then jumped bail.

1994 Jan: TIM YEO environment minister aged 48. It was revealed that he had fathered a

child outside his marriage. Mr Yeo said his private life had not affected his ability to do his job. Was first minister to resign after prime minister's "Back to Basics" rallying cry.

Jan: LORD CAITHNESS a junior transport minister aged 45. Resigned on the day his wife Countess Diana committed suicide at family's country home. Her parents said he had been having an affair with a family friend and his resignation was followed by newspaper speculation about his private life.

Jan: ALAN DUNCAN a 37-year-old parliamentary aide to a health minister. Duncan, a millionaire hachelor and former oil trader, lent elderly tenant of a municipally owned house £340,000 to buy the house under government discount scheme open only to tenants. Ownership of the house, later valued at £300,000, was subsequently transferred to Duncan. Said after quitting

government that if he had quit over an affair, "at least I'd have been having fun".

Feb: HARTLEY BOOTH lawyer aged 48; married with two children. Sits for London constituency formerly held by Margaret Thatcher. Aide to a Foreign Office minister. Admitted "heating and cooling" 25-year-old former House of Commons researcher; warned fellow MPs to be "careful".

May: MICHAEL BROWN Conservative party whip aged 42. Unmarried Brown rejects newspaper allegations of "homosexual triangle" involving him, student and government official. Local party members pledge support for their "brilliant" MP. In October Brown becomes government's first MP to declare that he is homosexual.

July: TIM DEVLIN Age 35; twice married parliamentary private secretary to attorney-

general. Said he was quitting over threat to close naval stores depot in his northern England constituency. Party whips said he had been sacked for poor attendance and voting record in House of Commons. His comment: "My colleagues think the whips' office have got egg on their face."

July: Ministerial aides GRAHAM RIDDICK and DAVID TREDINNICK Tredinnick was 45, Riddick (38) used to work in sales management for Procter & Gamble and Coca-Cola. Both MPs were alleged to have accepted £1,000 to table questions to ministers in House of Commons. Allegation was made by newspaper reporters posing as businessmen keen to obtain government information relevant to their business interests.

Nov: TIM SMITH Northern Ireland minister aged 47 who had entered government nine months earlier after the resignation of Tim Yeo. Smith

admitted he had broken parliamentary rules over disclosure of business links with Harrods, and that he had received funds for asking questions while a hackbench MP on behalf of Harrods owner Mohammed Fayed. Said in resignation letter to prime minister that he said he had not declared all necessary information in register of MPs' financial interests.

Nov: NEIL HAMILTON corporate affairs minister aged 45 and an ardent Eurosceptic who once said Britain should not be dragged "by frogmarch or goosetep into making irreversible changes without the support of the country". Perceives denied allegations similar to those over which Smith resigned. Later expressed regret that he had not declared in register of MPs' interests stay in Paris Ritz at Fayed's expense. Prime minister said Hamilton had accepted that he could no longer stay in government. But Hamilton also said: "I think it is sad and deeply disturbing that I have been forced to leave office because of foully motivated rumour and a media witch hunt."

1995 Feb: ALLAN STEWART Age 53; married with two children; junior minister at Scottish Office. Seized pickaxe during confrontation with protesters against motorway extension being built near

Glasgow. Was interviewed by police afterwards; said he had picked up pickaxe for self-defence and denied using it in threatening manner. Wrote in resignation letter to prime minister: "I do not wish in any way to be an embarrassment to a government I have been proud to serve."

Feb: CHARLES WARDLE Holds Harvard MBA; age 55; was a junior minister and was once responsible for immigration policy. Resigned over fears that EU policy on immigration would encourage uncontrolled influx of immigration to UK.

Feb: ROBERT HUGHES Married with three daughters, age 45. Former BBC television journalist who became government whip and junior science minister. Admitted to affair with former secretary. Explained resignation decision accompanied by wife, who said: "Essentially we are a very happy and united family."

Although he was not a minister, there was also the case last year of DAVID ASHBY a married lawyer of 53. Admitted he had shared a bed with another man in a French hotel, but said it was to save money. Denied any homosexual relationships. Wife said last pressure of parliamentary life had ruined their marriage.

Compiled by Stephen McGookin and Hugh Clayton



## REPUBLIC OF LATVIA

2nd International Tender for the sale of

## INDUSTRIAL ENTERPRISES

by the Latvian Privatization Agency

Enterprise number, name, location (in brackets: type of business [capacity p. a. if available], turnover in '94 in Latvian Lats (LVL)/number of employees end '94)

## CONSTRUCTION

(LV-164) AS "Kurzemes Mehanizators" Riga, LV 1005 (Construction, assembling and land works, renting out of construction equipment, road repair works, asphalt-paving, road covering, [0.13 mill. LVL/80])

(LV-172) VU "Dubietes Bunkers" Dubiete, LV 3701 (Construction and building works, renovation works, [0.29 mill. LVL/53])

(LV-191) VU "Auto" Riga, LV 1046 (Assembling and renovation works, repair of automobiles, [0.07 mill. LVL/44])

(LV-230) VU "Engineering Networks" Riga, LV 1067 (Civil engineering [150 m<sup>2</sup>], basement construction [1,200 m<sup>2</sup>], road construction [36,000 sqm], [0.06 mill. LVL/32])

(LV-240) VU "Baltic Office of Energy Assembling" Riga, LV 1033 (Heating installation, heating repair works, [0.14 mill. LVL/48])

## BUILDING MATERIAL

(LV-175) VU "Reinforced Concrete Construction Plant No. 3" Riga, LV 1004 (Pre-fabricated reinforced concrete elements [230,000 cm<sup>2</sup>], [0.10 mill. LVL/53])

(LV-189) VU "Lielkaimis" Jelgava, LV 5200 (Pre-fabricated reinforced concrete elements [12,000 cm<sup>2</sup>], [0.04 mill. LVL/43])

(LV-201) AS "Jelgava Reinforced Concrete Plant" Jelgava, LV 3002 (Reinforced concrete elements [54,000 cm<sup>2</sup>], concrete blocks [10,000 cm<sup>2</sup>], [0.14 mill. LVL/48])

(LV-220) VU "Riga Ceramics" Riga, LV 1009 (Ceramic tiles [10,000 sqm], brick [500 sqm], concrete [400 cm<sup>2</sup>], reinforced concrete blocks and pipes [10,000 cm<sup>2</sup>], [0.60 mill. LVL/120])

(LV-231) VU "Saurst Building Materials Plant" Saurst, LV 2132 (Synthetic stone [200,000 g], gypsum [100,000 g], gypsum slabs [60,000 sqm], gypsum patty [500 g], [0.37 mill. LVL/100])

## PEAT

(LV-168) AS "Misa Peat" Misa, LV 5300 (Peat [50,000 g], [0.19 mill. LVL/129])

(LV-180) VU "Alpuzne Peat Factory" Alpuzne, LV 3458 (Fire peat [139,000 g], peat litter [28,000 g], compost [5,000 g], [0.12 mill. LVL/54])

## FURNITURE

(LV-178) VU "Dzies" Riga, LV 1005 (Furniture sets [1,000 pcs], tables [1,340 pcs], wardrobes [150 pcs], shelves [1,200 pcs], stools [1,000 pcs], veneer plates fabrication [10,000 sqm], [0.11 mill. LVL/39])

(LV-179) VU "Breda" Riga, LV 1013 (Furniture sets [2,100 pcs], office furniture [1,000 sqm], desks [2,000 pcs], wardrobes [2,100 pcs], shelves [8,300 pcs], [0.83 mill. LVL/220])

## FOOD PROCESSING

(LV-203) VU "Latvian Beer" Daugavpils, LV 5400 (Beer [15 mill. g], soft drinks [5 mill. g], [0.96 mill. LVL/213])

(LV-208) AS "Jelgava Beer" Jelgava, LV 3400 (Beer [15 mill. g], soft drinks [5 mill. g], meat [1,150 g], [0.13 mill. LVL/64])

(LV-209) AS "Zemgale" Bauska, LV 3001 (Canned fruit and vegetables [13 mill. cans], [0.12 mill. LVL/87])

(LV-204) VU "Razekas Cannery" Razekas, LV 4800 (Canned fruit and vegetables [4.5 mill. cans], [0.07 mill. LVL/52])

(LV-187) VU "J. Rudzinskis Ventpils Fish Cannery" Ventpils, LV 3600 (Fish meal [150 g], canned fish [5 mill. cans], pickled fish [150,000 cans], fish cookery [25 g], [0.48 mill. LVL/300])

(LV-232) VU "Jelgava Base of Ocean Fishing Fleet" Jelgava, LV 5400 (Fish, fish oil and meat, [3.36 mill. LVL/1,286])

(LV-239) VU "Jura" Riga, LV 1180 (Marine catering, [0.29 mill. LVL/40])

## MECHANICAL ENGINEERING

(LV-153) AS "Hidrostat" Jelgava, LV 3401 (Hydraulic cylinders [100,000 pcs], hydraulic actuators [35 pcs], universal machines for large preparation [800 pcs], handle cultivators [8,000 pcs], cast iron moulding [700 g], [0.36 mill. LVL/275])

(LV-154) AS "Tina" Riga, LV 1247 (Special machine tools and automation systems, design of special machine tools and automation systems, printing works, software design, [0.22 mill. LVL/172])

(LV-176) VU "Karsenes sters" Karsene, LV 5717 (Agricultural machines [1,700 pcs], electric forces [530 pcs], [0.65 mill. LVL/141])

(LV-228) AS "Elektronika" Riga, LV 1005 (High voltage devices, measuring equipment, consumer goods, [0.83 mill. LVL/288])

## SHIP REPAIR

(LV-188) VU "Marigali Ship Repair Plant" Riga, LV 1035 (Ship repair works [48 ships p.a.], [0.95 mill. LVL/220])

(LV-187) VU "Riga Ship Repair Plant" Riga, LV 1015 (Ship repair works [106 ships p.a.], [0.86 mill. LVL/1,615])

## ROAD RAILWAY

(LV-183) AS "Atrums" Daugavpils, LV 5400 (Truck hauling services [25 mill. tons], [0.24 mill. LVL/193])

(LV-183) AS "Atrums" Riga, LV 1005 (Truck hauling services [18 mill. tons], [0.25 mill. LVL/159])

(LV-182) VU "Riga Poles" Riga, LV 1004 (Truck hauling services [18 mill. tons], [0.25 mill. LVL/159])

## LIGHT ENGINEERING

(LV-151) AS "Eksa" Riga, LV 1041 (Electro articles [19,500 pcs], plastic articles [20,400 pcs], bath room sets [10,800 pcs], household articles [37,500 pcs], valves for bicycles [450,000 pcs], [0.22 mill. LVL/275])

## ELECTRONICS

(LV-158) AS "Elektronika" Riga, LV 1035 (Spring blocks [240,000 pcs], furniture accessories [12 mill. pcs], packing band [1,000 g], [0.34 mill. LVL/97])

(LV-159) AS "Razekas Milling Equipment Plant" Razekas, LV 4800 (Milling equipment, spare parts, consumer goods, [1.21 mill. LVL/465])

(LV-189) AS "Riga Lighting Equipment Plant" Riga, LV 1083 (Luminescent lamps [360,000 pcs], hanging lamps [70,000 pcs], wall and table lamps [45,000 pcs], shelves [105,000 pcs], [2.59 mill. LVL/604])

(LV-161) AS "Riga Plant for Electric Car Equipment" Riga, LV 1013 (Electric accessories for automobiles and tractors, books, [3.46 mill. LVL/1,122])

(LV-170) AS "Elektronika" Riga, LV 1005 (Switchboards [5,000 pcs], lighting equipment [500 pcs], heaters [700 pcs], [0.10 mill. LVL/52])

(LV-171) VU "Kompressors" Riga, LV 1026 (Compressors [12,300 pcs], freezer aggregates [37,100 pcs], compressors [1,500 pcs], freezer equipment [100,500 pcs], household articles [65,200 pcs], [0.83 mill. LVL/447])

(LV-184) AS "Daugavpils Autopark Plant" Daugavpils, LV 5400 (Automobile repair works [20 g], agricultural machines [184 pcs], spare parts, [0.16 mill. LVL/100])

(LV-225) VU "TITIK" Riga, LV 1048 (Small tools [41,500 pcs], waxes [26,300 pcs], printing devices, [0.28 mill. LVL/238])

## OTHERS

(LV-186) AS "Ogri" Ogri, LV 5000 (Printed and written goods [4.0 mill. pcs], yarn [4,500 g], [0.70 mill. LVL/3,202])

(LV-187) AS "Ogri Tape Factory" Ogri, LV 5004 (Shrinkable [10 mill. sqm], [0.07 mill. LVL/50])



Closing date: April 27, 1995

## Tender Conditions

- In accordance with its legal mandate the Latvian Privatization Agency (LPA) announces an international tender for submitting bids for privatization of the aforementioned state enterprises and state joint-stock companies:
  - bids for a state owned joint stock company (organized as AS under Latvian law) should be for the majority of the shares of the company. LPA may reserve a part of the shares of the company for future privatization;
  - bids for a state owned enterprise (organized as VU under Latvian law) should be submitted for its total operations;
  - bids for assets or parts (e.g. production line, shop, building, equipment, etc.) of an enterprise must be for a separable unit of an AS or VU.
- Any legal and physical person (bidder) may bid. Only those bidders will be considered privatization subjects who have submitted a bid and will confirm the intent to privatize the enterprise in accordance with the privatization conditions to be set by LPA.
- In deciding among the bids, LPA will take into consideration the business plan submitted, the bid prices, promises to maintain or create jobs, pledges to invest and compliance with the privatization conditions.

- Bids must be in writing and should be submitted in a sealed envelope marked only with the name of the enterprise for which the bid is submitted.
- Bids must be received at LPA, 31 K. Valdemara Street, Riga, Latvia, LV 1887, no later than 2:00 p. m. (Latvian time), on April 27, 1995 (the "closing date"). Bids will thereafter be opened immediately. Prices indicated in the bids must be denominated in Latvian Lats (LVL), and shall remain valid for one hundred and twenty (120) days after the closing date.
- During the privatization process, LPA is authorized to require a bid bond of five (5) percent of the bid price in the form of an irrevocable bank guarantee or a similar guarantee, valid for one hundred and twenty (120) days. The bid bond must be payable on first demand and will be forfeited if the bidder either fails to hold its bid open for the period required by LPA or refuses to sign a contract in accordance with its bid.
- LPA will decide on the bids within one hundred and twenty (120) days after the closing date. Bidders may negotiate their bid within a period set by LPA.
- The privatization of the tendered enterprises will be carried out according to applicable Latvian laws.

LPA (Latvian Privatization Agency)  
Druvis Skulte  
State Minister for Privatization General Director  
Office hours of the Tender office of LPA are Monday through Friday from 9 a.m. until 4 p.m. (Latvian time).

For further information (enterprise profile, data on Latvia, visit authorization) please contact:



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This project is funded by the  
German Federal Ministry of Finance

APR 11 1995



# EUROPEAN BUSINESS PROPERTY

Friday March 10 1995

## Market faces uncertainties

Rising unemployment and corporate restructuring may limit the demand for business space during the next few years, writes Simon London

At first sight the European property industry should be looking forward to 1995 with optimism.

The economies of continental Europe grew more strongly than expected last year. Britain has been growing at its fastest annual rate for six years with underlying inflation at levels last seen 30 years ago.

Against this background, rents have stabilised in most European markets and landlords can look forward, in theory, to a return to modest rental growth in 1995.

Official forecasts suggest that Europe is in the early stages of a sustained upturn. In December, the Paris-based Organisation for Economic Co-operation and Development forecast growth for all of its industrialised members states this year and next, with expansion averaging about 3 per cent annually.

Even if the bright outlook forecast by the OECD for the wider European economy proves to be correct, though, the property market faces a number of uncertainties of its own.

Interest rates will need to rise in most countries over the next few years as economic growth spreads.

The impact will vary across property markets, but changes in long-term and short-term rates can have negative implications for asset prices.

More worrying for property owners is that the OECD expects the rate of unemployment in Europe to rise from 11.7 per cent last year to 11.8 per cent in 1995.

Since the number of people in work determines demand for business space, this does not point to a rapid recovery in demand for commercial property or rents.

Europe's record on job creation over the long term is hardly encouraging. While the unemployment rate has shown little upward trend in North America, in the EU it has risen from about 2 per cent in the mid-1960s to almost 12 per cent today.

There is no doubt that recovery in Europe will eventually reduce unemployment, but it is not clear that enough new jobs will be created during the upturn to absorb the vacant offices, shops and factories which overhang the market.

Corporate restructuring - arising out of recession but continuing long into the recovery - may also limit the amount of business space consumed during the next few years.

Competition, technology and the changing shape of the European market are leading industrial companies to cut back on the space they consume for each unit of output.

One example is Whirlpool, the world's largest manufacturer of large domestic appliances.

The group has roughly the same amount of manufacturing space as it had five years ago, but the productivity of each square metre has increased by about 25 per cent.

In distribution, the company has halved the number of its warehouses to 18, even though the volume of units handled by the system has increased by about one quarter.

The next step in its restructuring will leave the company with just eight regional distribution centres.

The process has not finished. Despite enjoying a strong position within its industry, and healthy profits, the company announced an 8 per cent reduction in its workforce, with the

brunt of the cuts falling in Europe. The company is concentrating on rationalising its office space requirements.

Whirlpool is not unique. Industrial and services sector companies in all European countries are starting to look at their property as a productive asset and are asking whether they have been squeezing enough out of it.

Within this overall context, each European property market has its structural strengths and weaknesses.

In the UK, long leases and upwards-only rent reviews mean that many tenants are still locked into above-market rents. With no sign of widespread rental growth, these occupiers are likely to remain stuck in their existing buildings.

As well as depressing the amount of letting activity - especially in areas such as the City of London where rents have fallen by 50 per cent from the peak - landlords will receive only a fixed rental income for some years to come.

In France, the exposure of financial institutions to property remains the biggest cause for concern. Although the first steps have been taken to recognise the extent of the losses, property owners often remain unwilling to sell at realistic prices for fear of realising losses.

The investment market remains frozen as a result. Many of the international investors hoping to buy into the Paris office market at the bottom of the cycle continue to be frustrated.

In Germany the picture is more complex, with each regional market trying to reach its own equilibrium between supply and demand for space.

While cities such as Frankfurt and Hamburg look likely to do well, the over-supply of offices in Berlin will take many years to clear.

Yet capital values in Germany have been supported by extraordinary flows of private savings into property mutual funds.

As this supply of liquidity starts to reduce, though, the market may have to adjust.

The common thread between all European countries is the emergence of a two-tier property market, with an overhang of poor quality business space but an impending shortage of prime buildings.

This mismatch between the quality of buildings available and the type of accommodation tenants require is the biggest challenge facing the European property industry.

On one hand, it is a clear opportunity for developers to start building again. There are already tentative signs of development in the City and West End of London.

By the end of 1995 many other European cities could also see construction cranes on the skyline.

But a return to the building boom of the late 1980s seems inconceivable. France is not the only European country where financial institutions are still nursing a hangover from their last round of property lending.

The supply of funds for speculative property development is likely to be much more restricted than a few years ago.

Moreover, the fall in rents over the past three to four years has made property development uneconomic in many cities.

Unless there are clear signs

that rents are rising back towards their peak levels, redevelopment of many old buildings is simply not profitable.

For owners of secondary property, then, this year could be uncomfortable. Subdued demand for business space and low rents are allowing tenants to choose prime buildings. Yet rents are not high enough to allow redevelopment of secondary space.

Across the continent there is talk of converting empty offices into residential accommodation or other alternative uses. But this is unlikely to make sense in more than a few fringe areas. The only realistic choice for many landlords is to wait and hope that the forecasters have been too cautious.



In Germany the picture is complex. While cities such as Frankfurt (above) and Hamburg look likely to do well, the over-supply of offices in Berlin will take many years to clear

Tony Andrews

FOR BRIGHTNESS,  
VOLUME  
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SONY GOT  
A BETTER  
RECEPTION IN  
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Sony's business success in Wales over the last 20 years makes for some impressive viewing.

During this time their business has thrived, growing by a staggering six times.

More recently, Sony have manufactured the advanced Trinitron television range in Wales.

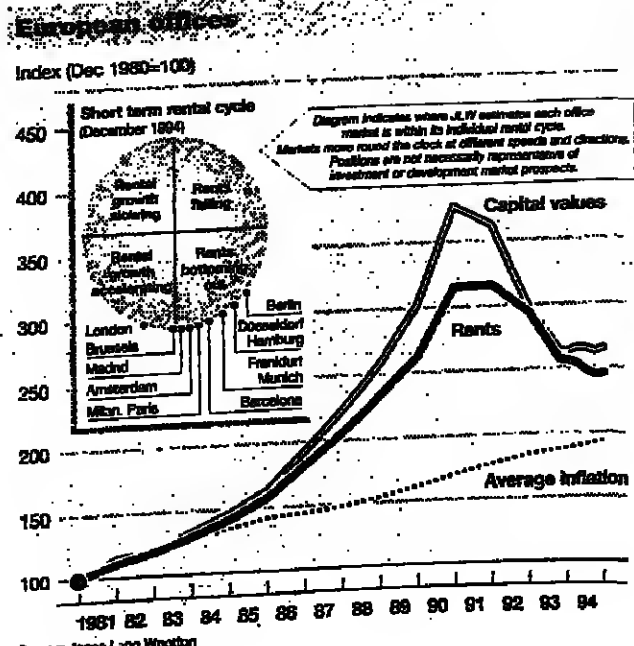
Helped in no small part by the highly skilled Welsh workforce, a large network of local suppliers and an abundance of quality sites.

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## EUROPEAN BUSINESS PROPERTY II

## BRITAIN

## A warning for neighbours

Two years after the wider economy pulled out of recession, property values are drifting down against a background of only patchy rental growth, writes Simon London

Because the UK is ahead of most European countries in its economic cycle, the recent performance of Britain's property market should act as a warning to its neighbours.

Two years after the wider economy pulled out of recession, property values are drifting down against a background of only patchy rental growth. Owners saw good returns from their property investments last year. According to the Investment Property Data-bank (IPD), property delivered a total return of 15.3 per cent for 1994, far better than equities or bonds.

But rising property values through the first half of 1994 reflected falling bond yields and a flood of institutional investment in property. This was not sustainable and property values started to drift lower from the summer, in a delayed reaction to rising long-term interest rates.

For values to rise again there needs to be hard evidence of widespread rental growth.

The latest figures from IPD show only modest quarter-on-quarter rental growth in retail property, and falling rents in the office and industrial sectors.

Data from property agents, which is drawn from a smaller sample but is arguably more sensitive to changes in the market, tells a slightly more positive story.

For example, the latest rental indices from Hillier Parker, the surveyors, show a 2.1 per cent increase in offices rents, centred on the West End and City of London.

This bears out anecdotal evidence from the market: there are pockets of demand for high quality offices in good locations which can not be easily satisfied. In some specific areas rents are rising for the best space.

After three years of scarce development activity in the City of London, for example, there is now a shortage of good, modern space.

As a result, prime City rents rose about 8 per cent last year from £30 a sq ft to £32.50.

The supply of vacant modern offices in the West End of London is also virtually exhausted.

Although the vacancy rate is still at about 8.5 per cent, much of the available stock is old and considered unsuitable

by tenants. Prime rents increased last year from £40 per sq ft to £42.50 as a result. These localised shortages have helped Canary Wharf, the vast office development in London's docklands to the east of the City. Large lettings in the final weeks of 1994 to Barclays, the investment banks, and the arrival of the European Medicines Evaluation Agency, have given the project critical mass in terms of tenants.

Reacting to the shortage of modern space, developers are dusting off planning consents for offices in the City and West End.

Planning permission has been granted on 1.22m sq m of offices within the City of London. About half of this covers sites where the existing building has been demolished or is currently vacant and work can begin at any time.

The biggest hurdle is that City rents are too low to make many of these developments worthwhile. Moreover, financing for speculative development remains in short supply.

Banks in particular still remember the property-related losses of the last downturn.

Even so, if rents rise much above £40 per sq ft, many of the potential developments around the City of London are likely to be triggered.

There are already a number of large schemes under construction: about 1.5m sq ft of space could be under construction by the end of the year.

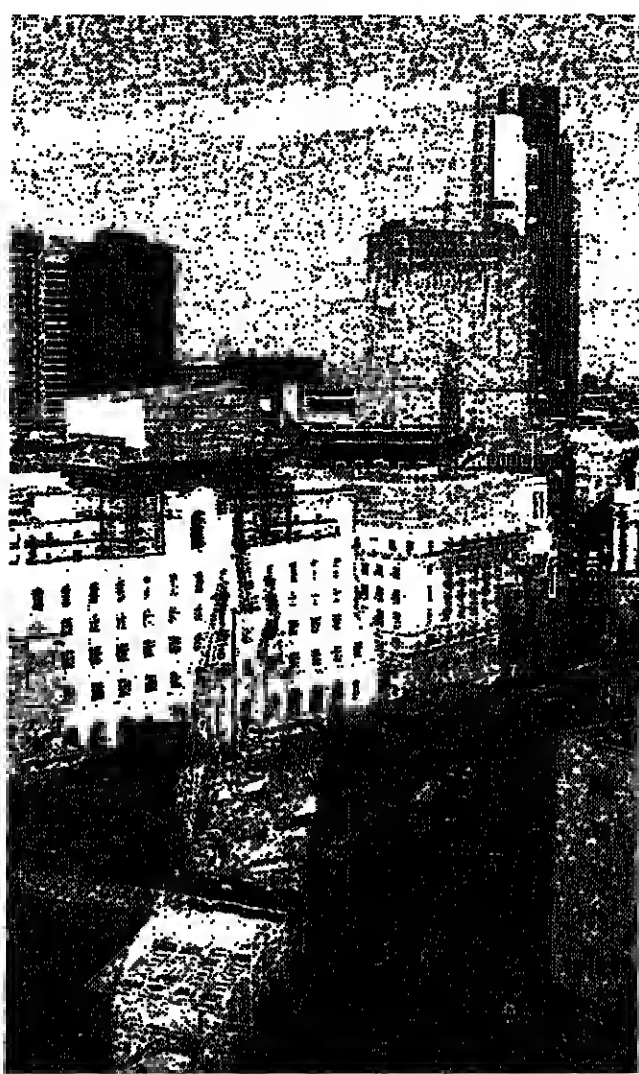
This supply pipeline of new space could act as a cap on rents.

The collapse of Barings, the investment bank ruined by losses in derivatives trading, is also a reminder that demand for office space in the City depends on the fortunes of the volatile financial services industry.

Against this background, the investment market has started 1995 in a far more subdued mood than it began 1994.

With values slightly lower than this time last year, potential vendors are often unwilling to sell.

After the flurry of investment activity last year, neither investment institutions nor quoted property companies



Prime City of London rents rose about 8 per cent last year. Tony Andrews

have deep reserves of cash available for investment.

The continued interest of overseas investors - especially in central London offices - has continued to support the market.

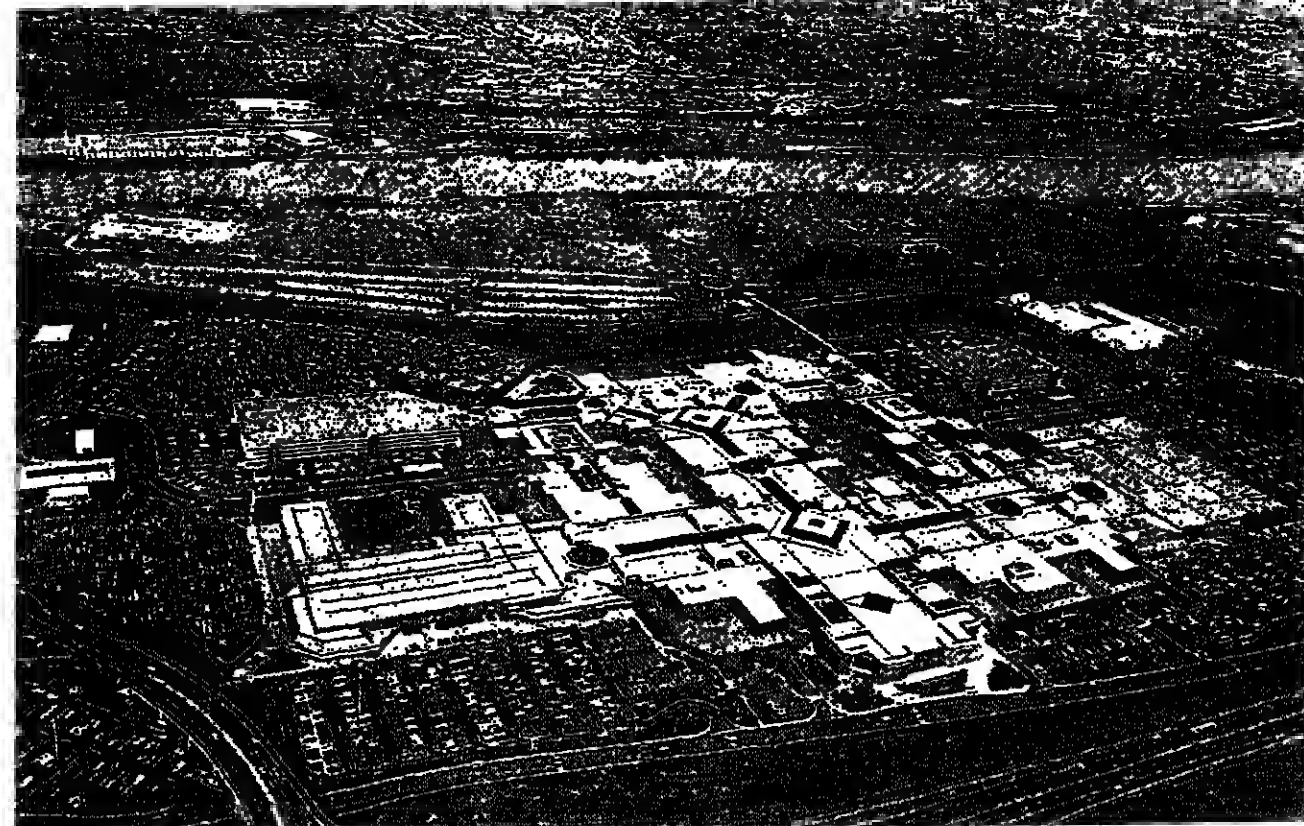
According to DTZ Debenham Thorpe, the surveyors, foreign investors channelled £1.74bn into UK property in 1994.

This was slightly below the

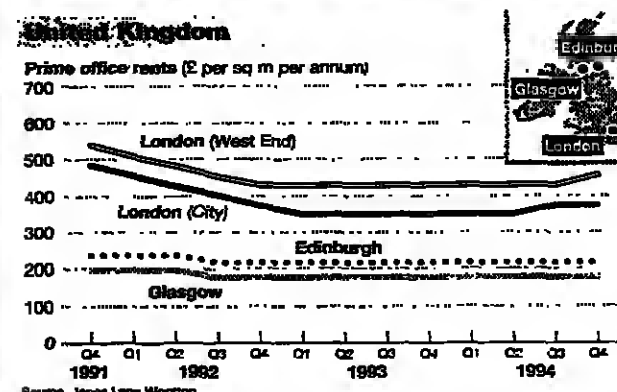
£2.2bn recorded in 1993 but well in line with the totals seen in recent years.

German open-ended funds - fuelled by an inflow of savings at home - were the most active buyers, spending £475m over the year.

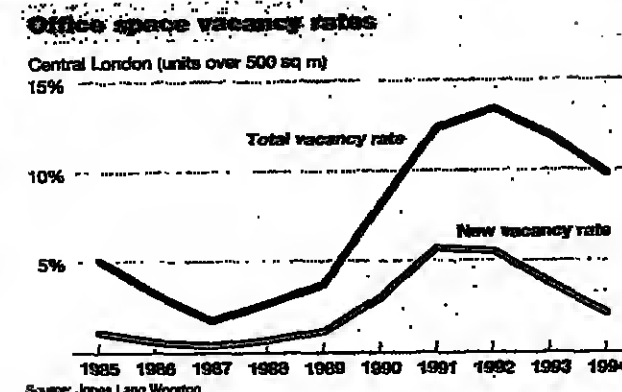
The retail market has attracted UK investment institutions, partly because the outlook for offices is clouded



The decision by the Church Commissioners to find a buyer for the MetroCentre in Gateshead may have caught the mood of the market



Source: Jones Lang Wootton



Source: Jones Lang Wootton

and partly because planning restrictions on out-of-town shopping centres have given existing schemes rarity value.

Many fund managers argue that the yield differential between high street shops and shopping centres - currently about 1.5 per cent - is still too wide.

Even though shopping centres are larger, less liquid

investments, they argue that the rental growth prospects are in many cases better than in the high street.

The decision by the Church Commissioners, the funding body for the Church of England, to find a buyer for the MetroCentre - Europe's largest covered shopping centre - in Gateshead, north-east England, may

therefore have caught the mood of the market.

While the sheer size of the centre makes it difficult to forecast the final selling price, property agents estimate £300 - £400m.

Property companies as well as investment institutions are likely to join the chase.

With no sign of widespread rental growth, though, only

prime assets such as the MetroCentre generate enthusiasm among investors.

Secondary office and retail property is much more difficult to sell or let.

This two-tier structure, which has gradually emerged over the past two years, shows every sign of becoming a permanent feature of the UK property market.

## ITALY

## Signs that the situation is changing

Property consultants believe that the upturn in Italy's economy will bring an end to the recession in the business property sector, writes David Lane

With the Italian economy in recession and political uncertainty always present, the past four years have been tough for property owners wanting to sell, and for their agents.

There are signs, however, that the situation is changing for the better. The economy is picking up. Gross domestic product grew by 2.3 per cent last year. It is expected to increase by more than 3 per cent in 1995, in sharp contrast to 1993 when a 0.7 per cent decline accompanied falls of 3.1 per cent in private consumption and 11.1 per cent in gross fixed investment.

Property consultants believe that the upturn in Italy's economy will bring an end to the recession in the business property sector. Growth in GDP is expected to bring new demand. Although values and rents remain flat, and this year is expected to offer modest improvements at best, the worst is over.

Italy's market for office accommodation is concentrated on two cities, Milan and Rome, the country's business and administrative capitals.

Having entered the recession about 18 months before Rome, Milan is leading the way out.

"There has been an increase in letting activity in Milan over the past year. Companies have become aware that rents have touched bottom," says Mr Roberto Trella of the Milan subsidiary of property consultants Richard Ellis.

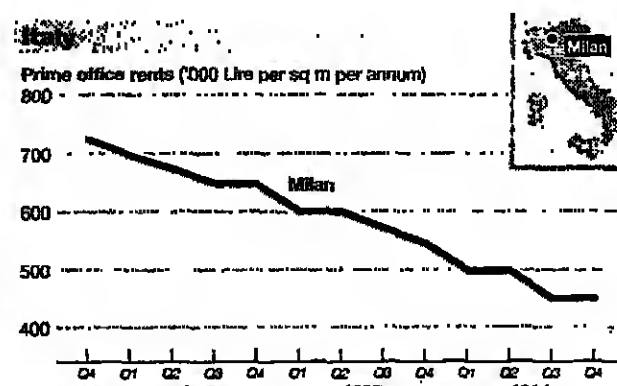
Prime properties in top city-centre locations such as Corso Matteotti, Piazza San Babila and the Duomo are letting for about £450,000 a sq m a year. "This is about 35 per cent lower than the 1991 peak," notes Mr Trella.

Central Milan, with the stock exchange, its many banks and leading national and international companies, is the heart of the Italian market for office property. Rigid planning regulations mean, however, that accommodation is mostly in small units and that the potential for growth of total office stock is virtually nil. This is reflected in a vacancy rate that, at between 10 and 15 per cent, is significantly lower than elsewhere in Milan.

Businesses willing to accept less prestigious accommoda-

tion or seeking large floor areas must generally look further out. Milan is compact, so the distance from the city's centre need not be great. Successful, well-specified and well-served office developments in the Cadorna, Piazza Duca d'Aosta and Piazza della Repubblica areas are quickly and easily reached on foot or by public transport from the centre. Rental levels are between £200,000 and £400,000 per m2 per annum.

Looking towards and beyond Milan's autostrada ring, annual rentals fall to between £120,000 and £200,000 a sq m. But the accommodation often has serious drawbacks. Paul Bacon of Healey & Baker Italy says: "Because they are in badly served locations and have poor technical specification, some buildings will never have tenants." A trip round Milan's tangenziale offers a dismal picture of desolate,



Source: Jones Lang Wootton

empty office blocks. "Vacancy levels in Milan's outskirts exceed 25 per cent," notes Mr Bacon.

The situation is different in Rome where most prime office developments are in the suburbs, often close to the GRA (Grande Raccordo Anulare) ring road. While the market in the historic centre is characterised by small offices in mixed-use buildings, the EUR district in the south-west suburbs ranks as the capital's principal office location.

EUR offers a wide range of property with high specifications and enjoying good infra-

structure. Stations on Rome's small underground railway network and quick, easy access to Fiumicino airport help explain why IBM, Ford, General Motors and other multinationals, as well as many Italian government and public organisations, have offices in the EUR district.

Closeness to the GRA and to Fiumicino are the reason for substantial office development areas near to EUR. Esso has offices in Magliana. Rover and the Kuwait oil company have their Italian offices in Torrione. Others will arrive as new offices become available. Annual rents in EUR are currently between £300,000 and £400,000 a sq m. In what Mr Trella describes as a landlords' and sellers' market. He says, however, that the completion of new projects is swinging the situation to the tenants' or buyers' advantage.

While developments in the market for office property in Milan and Rome have followed a pattern and been predictable, Italy's business property sector has produced a new protagonist in the 1990s. The shopping centre is becoming part of the Italian way of life.

As Italian consumer behaviour becomes similar to that in northern Europe, the weekly visit to the shopping centre is taking the place of daily trips to the local butcher, grocer and baker. "There are 270 shopping centres, 120 with more than 10,000 sq m of space," says Mr Bacon. More are in the pipeline, often in small communities near large conurbations.

New developments will offer funding opportunities to investors. "It is an emerging market that cannot be ignored," says Mr Bacon. But only one foreign investor has so far been drawn into a pure retail development. Schroders International Property Fund paid £120m for the Curcio centre of about 14,000 sq m near Ber-

gamo a year ago. This investment, on which Richard Ellis advised the buyer, is providing a yield of 9.75 per cent.

The key to attracting foreign investment is quality. This is the feature that drew a US property fund into taking a stake in the Birra Peroni brewery redevelopment near Porta Pia in central Rome. "It is an imaginative and very successful conversion of industrial buildings into mixed retail, residential and office accommodation," says Mr Trella.

A 4,000 sq m department store of the Coin chain, rented at £250,000 a sq m a year, forms part of the redevelopment that opened last June.

Italian business property has also attracted CS Immobilien-Fonds of Frankfurt, a member of the Credit Suisse group and management company of the German open-ended fund CS Eurorail, which bought 3,000 sq m of offices in Milan's Via Santa Valeria. This was the first German fund of its kind to invest in Italy. The purchaser was represented by Healey &

Baker in the £30m operation last spring.

Typically, central Milan's best office properties yield 5.5 to 6 per cent, with those a little further out yielding 6.5 to 7.5 per cent. Property consultants say that foreign investors are keeping a close watch on the Italian market, and expect to see important operations.

"The cheap lira is currently an attraction, but funds look to long-term returns rather than short-term foreign exchange opportunities," observes Mr Trella.

The drying up of investment from Italian investors opens opportunities to foreigners. Italians have traditionally bought on the basis of capital values and their expected growth. With the collapse of property prices they have become wary. Large voids in portfolios have turned local sentiment against property.

Signs of stability and political will to put public sector accounts straight might be the just encouragement needed for foreign investors to take the plunge.

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Milan is leading the way out of the recession

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## EUROPEAN BUSINESS PROPERTY III

## FRANCE

## Market remains difficult

Foreign investors hoping to find bargains are often regarded as vultures

The huge property-related losses announced by French financial institutions this year have obscured the fact that, from a tenant's point of view, the French property market is in good shape, writes Simon London.

Unlike their counterparts in London, office occupiers in Paris have never been locked into high rents by long leases with upwards-only rent reviews. The traditional short lease with three-year breaks has allowed many French companies to take advantage of falling rents to upgrade their accommodation.

This has been reflected in the relative strength of the leasing market: the Paris region saw about 1.4m sq m of office space leased in 1994, the second year of increased activity.

While leasing is well below the frenetic peak of 1990 - when 2m sq m was let - the market is notably more active than the early to mid-1980s. Indeed, some agents argue that 1994 saw net take-up of offices for the first time in four years.

If this is correct, the vacancy rate in the Ile de France region, currently at about 8.5 per cent, should start to fall. The position in the central business district of Paris, centred on the 8th arrondissement, is stronger. There is at present about 600,000 sq m of vacant office space out of a total stock of 10m sq m, a vacancy rate of 6 per cent.

Moreover, agents estimate that up to half of this vacant space may be impossible to let in its present condition. The supply of modern space for large occupiers is becoming limited.

Disney, which has just taken

5,300 sq m of air-conditioned space in the central business district, had only a small handful of buildings to choose from, according to Mr Robert Lipscomb of Healey & Baker, which advised the tenant.

The large developments finished in 1991-92 such as the Washington Plaza and Etoile St Honoré schemes - unkindly dubbed *pacquebots* or ocean liners - are slowly being filled.

In one of the largest lettings of the year, the Matif futures market took 9,200 sq m in the Paris Bourse development, the last of the *pacquebots*, in the 2nd arrondissement.

La Defense, to the west of Paris, has also seen its fortunes improve over the past

means that there is a modest pipeline of new and refurbished property coming onto the market.

Mr Robert Waterland, head of Jones Lang Wootton's Paris office, points out that many of the developments now in progress are driven by tax considerations rather than a cool assessment of the market prospects.

One way of avoiding France's punitive property transfer tax is to buy a building for redevelopment.

Four years after many of the sites were bought, though, the authorities have been demanding either hard evidence of development or payment of back-tax, often with a penalty

On the surface it looks as if many of the institutions are now taking steps to deal with their property exposures. The announcement of provisions and losses at least suggests that property assets are being written down to more realistic values. This could open the way for properties to be sold.

There are some signs that French banks, in particular, are more willing to accept the prices on offer. About 8,000 sq m of funds was invested in the French property market in 1994, more than double the 1993 level.

But the market remains difficult, especially for foreign investors hoping to find bargains, who are often regarded as vultures.

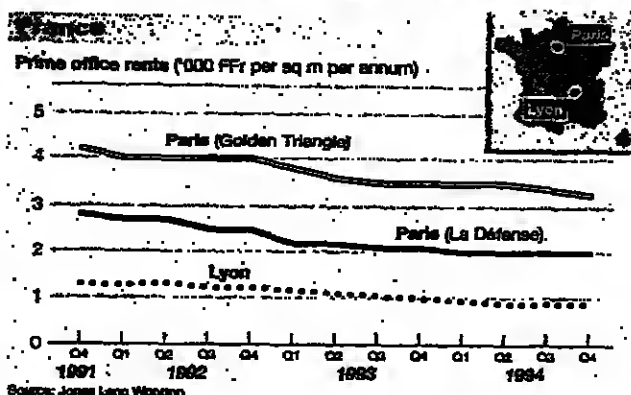
"It is possible to do deals in this market, but you need to be creative to bridge the gap between the expectations of the vendor and the purchaser," says Mr Oliver Ash, managing director of the continental European operations of Hamersson, the UK property company.

In November, Hamersson paid Fr274m for a two-thirds stake in 84 boulevard Haussmann, which comprises 10,600 sq m of retail and office space on Paris's prime shopping street, *Axa*, the insurance group, has retained a 34 per cent interest in the property.

With the office market largely deadlocked, international investors have turned to the retail market. Large shopping centres have been the focus for especially tough bidding competition.

Hamersson, Rodamco, the Dutch investment fund, and Schroders International Property Fund all acquired large retail schemes over the year.

French funds have also started to get in on the act, having historically concentrated on the office market. It is a sign of the times that the largest investment deal of 1994 was the Fr3bn acquisition of a shopping centre portfolio from Suez Group by Unibail, the French property company.



year, with large lettings to companies such as Usinor Sidor, the steel manufacturer, which took 27,000 sq m.

The vacancy rate has now fallen below 9 per cent and La Defense will get a further boost when Société Générale moves into its new 126,000 sq m headquarters building.

Against this background, there are hopes that rents for the very best space in the central business district will stabilise this year at about Fr3,000 a sq m after four years of decline. Yet the overhang of secondary space makes it difficult to see rents recovering.

Moreover, development has never completely ground to a halt in central Paris, which

on top. Few of the developments in the pipeline will show a profit with top rents around the present levels.

Only developers which bought land very cheaply - say Fr25,000 a sq m against Fr100,000 a sq m at the peak of the market - can make a margin at these levels. Faced with the alternative of a large tax bill, though, some developers are pressing ahead.

The worst impact of falling property values has been felt in the investment market, which remains largely frozen. French banks and insurance companies are still unwilling to crystallise losses by selling assets while the market is weak.

## GERMANY

## Clouds on the horizon

Stabilisation is the best that most German cities can hope for, reports Simon London

Germany's economic recovery may have come earlier and stronger than most forecasters predicted, but the outlook for the property market is not universally bright.

With only moderate employment growth expected over the next two years, and a steady supply of new buildings coming onto the market, stabilisation is the best that most German cities can hope for.

Müller International, the property agency, estimates that the top 12 German cities had 7m sq m of office space available to let at the end of 1994, up from 6.8m in 1993.

In addition, planning permission has been granted for an estimated 4.3m sq m of offices. Since annual take-up of office space has been running at only about 1.5m sq m, surplus space could remain a problem for years to come.

Against this background, rents were still falling last year. Müller calculates that average prime rents in Germany fell from DM44.96 a sq m a month in 1993 to DM42.28m at the end of 1994. Rents for non-prime offices fell further.

But these averages hide marked differences between cities in Germany's fragmented market. Researchers at Deutsche Bank tip Frankfurt and Hamburg to outperform the wider German market, because job creation is likely to keep pace with the supply of new office space coming onto the market.

Deutsche Bank expects prime rents in Frankfurt to stabilise at about DM55 - DM65 a sq m - or higher if some planned developments are

postponed - against a peak of DM90. Frankfurt remained Germany's leading office market last year in terms of rents and the volume of space let. The decision to locate the European Monetary Institute (the forerunner of European Central Bank) in Frankfurt was a boost to the city's status, although the EMI itself will occupy only 14,000 sq m of offices.

Even in Frankfurt, though, the office market remains under pressure. The vacancy rate rose to 7 per cent in 1994, moderate by international standards but far higher than the city has experienced in the past.

The imbalance between supply and demand is even greater

city's property market could take years to regain balance.

It is some comfort that the proposed transfer of federal government from Bonn to Berlin now looks certain to go ahead. Agents report a marked increase in inquiries from potential tenants following last year's federal elections, the result of which virtually guaranteed that the proposed move would take place.

This should give Berlin a boost as private sector organisations seek premises close to the heart of government. Annual office take-up is expected to rise from the 200,000 sq m totals of recent years to perhaps 250,000 sq m.

Even so, it remains to be

with tenants consolidating their operations in large, modern offices and moving out of older, smaller sites. The overhang of secondary space will therefore continue to rise.

If the occupational market is still patchy in most German cities, though, the flow of private savings into property made the investment market one of the strongest in Europe in 1994. Despite the mixed outlook for rents, prime office properties - which make up 80 per cent of the average German institutional investment portfolio - have been changing hands on yields only a shade above 6 per cent, little changed on last year.

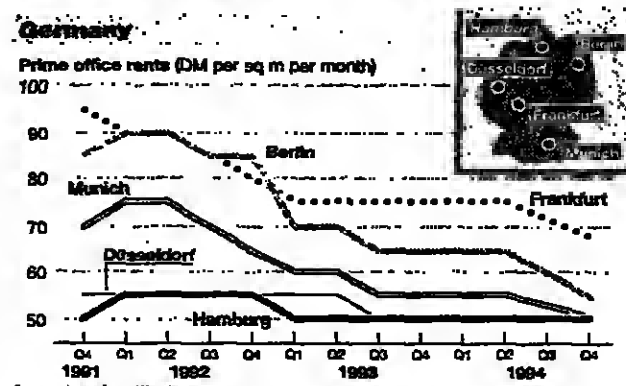
The flow of cash into Germany's 14 open-ended real estate funds was again the main force behind the investment market. Although there were signs that the inflow was slowing in the final months of 1994, about DM6.65bn was invested by private individuals during the year.

Even if the flood of private capital now becomes a trickle, many open-ended funds still have a backlog of cash to invest in property. This suggests that the funds will remain strong buyers for some time to come.

The flow of private investment into eastern Germany, through tax-advantaged closed-end funds, shows no sign of abating. Indeed, some analysts expect the level of investment through closed-end funds to increase over the next two years as investors hurry to beat the expiry of tax allowances in 1996.

The awkward question facing the investment market is what will happen to property yields when the supply of tax-driven liquidity dries up.

Analysts ask whether property values have become divorced from the fundamentals, especially in the case of secondary office properties which have been acquired by mutual funds chasing relatively high yields, but are unlikely to attract tenants.



Source: Jones Lang Wootton

seen whether Berlin developers will be able to achieve rents much above the current DM45-DM50 a sq m commanded by prime space. The next few months will be critical as tenants sign leases on the first of the new schemes to reach completion.

"It is unlikely that developers on Friedrichstrasse will make a profit on completion of their buildings," said Mr Stuart Reid, of Weatherall Green & Smith in Berlin. But at least the Friedrichstrasse developers are likely to find tenants. Landlords in secondary locations, in Berlin and elsewhere, are likely to struggle.

Property agents point to a changing pattern of demand,

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## EUROPEAN BUSINESS PROPERTY IV

## SWEDEN

## Banks line up for sell-off

A key question is what impact the disposal of the bank holdings may have on the gradual recovery now under way, writes Hugh Carnegie

The most striking feature of the Swedish real estate market at the moment is the clutch of leading players lining up to deal themselves out of the business. Just as it is finally recovering from a long and deep recession.

This odd state of affairs is a hangover from the loan loss crisis that swamped the country's banks three years ago. The main source of the banks' woes was their over-eager lending spree to the booming real estate markets of the late 1980s. When the bubble burst, and property values collapsed, the banks were forced to take over thousands of properties in Sweden and abroad as collateral against failed loans.

The banks and the special companies set up to administer their property assets hold real estate in Sweden worth close to SKr50bn.

But now that the process of unwinding the bad loans and collating the property holdings is all but complete, they are looking to the next stage of selling off the assets directly, or the units set up to manage them.

This coincides with a stabi-

lisation of the Swedish real estate market after the slump of the early 1990s when capital values and rents fell by 50 per cent from their 1990 peaks. But a key question is what impact the disposal of the bank holdings may have on the gradual recovery now under way.

The recovery is being driven by an upturn in the overall economy after a three-year recession. The economy grew by 2 per cent last year and is set to grow by more than 2.5 per cent this year, fuelled chiefly by a strong performance by Sweden's large export sector.

This has fed through to the property market, especially in prime locations. In Stockholm's central business district vacancy levels have fallen to around 5 per cent and in some areas they are lower. In Kista, a prime industrial park close to Stockholm's main airport, strong demand for space by Ericsson, the telecommunications group, has pushed vacancy levels down virtually to zero from as high as 30 per cent three years ago.

Yields have fallen back - a sure sign of a tightening market - to as low as 6 per cent in

certain locations and rents have bottomed out.

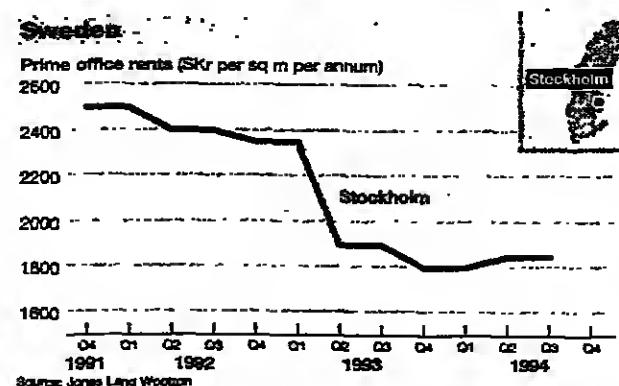
But the upturn is still patchy. Overall vacancy levels in Stockholm are put at about 12-13 per cent, compared with 15 per cent at the bottom of the recession.

Top rents in central Stockholm are in the SKr2,000-2,200 range, still almost half the levels reached five years ago. New developments are almost non-existent. "Since we have a high vacancy rate, it is hard to see a major upturn loop," says Mr Bo Lunn, senior Scandinavian partner at Healey & Baker. "It is going to take perhaps

another two years before we have supply and demand in balance."

One factor that helped put a floor under the property market was the avoidance of a "fire sale" of distressed properties by the banks. In this, the state played a vital role by taking the bulk of the burden of their bad loans off Nordbanken and Gotabank, the two biggest victims of the credit loss crisis. A central part of the rescue of the two banks (Gota was taken over by Nordbanken, which is now wholly state-owned) was the creation of two separate "bad banks" to take over their bad assets.

The upshot was two new



state-run companies, called Securum and Retrieva, which now hold Swedish properties worth SKr15bn and SKr6.5bn respectively. They have been capitalised for 10-15 years to ensure they do not have to rush into property disposals.

The other banks were also given dispensation by the

authorities not to have to dispose of their property holdings at a loss - meaning they could hold onto them until the market improved. This affected Skandinaviska Enskilda Banken's special real estate unit Diligenta, which holds Swedish properties now valued at about SKr12bn. Sweden Bank with

a total portfolio - most of it Swedish - of SKr8bn, and Närkebro, Svenska Handelsbanken's property unit, which has Swedish assets worth SKr7bn.

Now, however, Securum, Retrieva and the banks see some possibility to accelerate the pace of disposals. Securum has already successfully achieved the flotation of a unit packaging properties in the north of Sweden. Most prominently, S-E Banken announced last month that it intended to spin off Diligenta within two years - much more quickly than it previously intended. It wrote down the value of the real estate holdings to be grouped in Diligenta by SKr1.3bn to SKr1.5bn as a preparatory move.

The calculation within the banks is that they may be able to take advantage of a revival of activity among investors within the property sector. In recent months, there have been moves by several Swedish real estate companies to restructure through takeovers or by altering their portfolio balance. Mr Lunn of Healey & Baker says he anticipates the insurance companies, badly

burnt in the slump, will return to the property market. The banks think their holdings could be attractive targets in this process.

"There are a number of listed property companies that do not have the volume of properties they need to match their overheads," says Mr Erik Afors of Retrieva. "It is a question of economies of scale. I think we will see more deals coming up."

The banks clearly believe they can manage their withdrawal without creating a "double dip" property recession by flooding the market just as it is picking up. They are therefore hoping the process will not take as long as they feared when the credit loss crisis was at its height. But nor are they rushing for the door.

"A bid could be made for the whole of Närkebro next month," says Mr Bo Strage, the unit's chief. "But we haven't changed anything in our strategy. We created these (property companies) to avoid a dumping effect on the market because then we would have had no market. It could still take a number of years."

## THE NETHERLANDS AND BELGIUM

## Modest recovery recorded

For the first time since the mid-1980s, the supply of office space showed a small decline last year, writes Ronald van de Krol

The Dutch commercial property market staged a modest recovery last year, raising hopes for a continuation of the gradual upward trend during 1995 as the economy picks up strength after nearly falling into recession earlier in the 1990s.

For the first time since the mid-1980s, the supply of office space showed a small decline last year, ending a long period of increases.

"Numerically speaking, the decline in supply was about 2 per cent, but the supply is still sizeable at about 2.5m square metres, or 12 per cent of the total national office stock," according to an analysis by the Amsterdam office of Richard Ellis, the property consulting firm.

It estimates that 1.15m sq m of office space was taken up in 1994. Although this was about 10 per cent less than the year before, 1993 was an unusual year because of strong demand for office space from government departments.

Richard Ellis says the most active sector last year was the "secondary" office market: office buildings that are generally modern but in non-prime

locations, appealing to companies who place a greater priority on cost-effectiveness than on a prestigious location.

"It is in this sub-sector that a very large portion of the oversupply was created and it is therefore encouraging to see strong take-up occurring with minimal speculative development," the company says.

DTZ Zadelhoff, the big Dutch property agent, also regards 1994 as a very satisfactory year for the commercial property market, with take-up demand stronger than it had expected. But it sounds a few cautionary notes to temper the optimism sparked by Dutch economic recovery and the corresponding demand for business properties in 1994.

"The office market, for instance, faced increasingly difficult access by car to city-centre and motorway locations," it says in a research report.

"In addition, with many occupiers opting for office space close to motorways, there was much less interest in premises close to stations, resulting in increased vacancy rates at such locations."

The swing away from railway station sites to properties with easy motorway access is just one recent trend to emerge in the Dutch commercial property market, and it is linked in part to the decline in demand from government agencies. Another development is the leading role on the investment

side played by foreign investors.

Dutch property investors have tended to look abroad in recent years. When they have put money into the Netherlands, they have concentrated on retail and residential properties. This has left the office property field mainly to foreigners, led particularly by the Germans and to a lesser extent the Swiss.

DTZ Zadelhoff estimates that German investors accounted for F146m of the F1740m invested by foreigners in 1994.

Foreign interest tends to be focused on the Netherlands' *Rondstad*, the western region near the North Sea coast that includes the cities of Amsterdam, The Hague and Rotterdam.

Despite the upturn in the market, rent levels were broadly unchanged in 1994 and are not expected to change dramatically in 1995.

Part of the reason for the

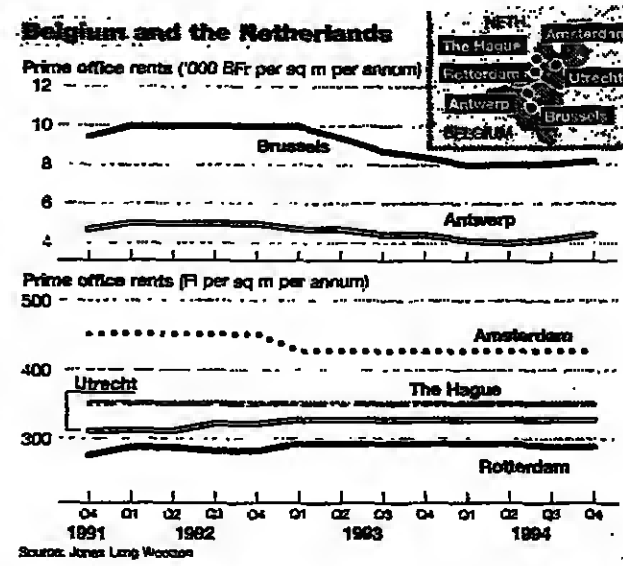
1994 recovery, apart from the generally improved economic climate, was the fact that only a moderate amount of new office space was built or completed and ready for rental.

The same is expected to hold true for 1995, although there are notable exceptions.

Amsterdam's tallest building, the 135-metre Rembrandt Tower, is due to be completed in the summer, adding 30,000 sq ft of office space to the Dutch capital's supply.

The tower, reminiscent of US-style skyscrapers and therefore something of a novelty in Amsterdam, was planned as the first of possibly three tall buildings that may spring up around the city's outlying Amstel railway station.

The eventual decision on whether the other buildings will be constructed will say a lot about the state of the Dutch market, but is not expected to be taken in the short term in any case, with much depending on how quickly the Rem-



brandt Tower attracts tenants. Generally, sentiment towards the office market in Amsterdam is strong, particularly in and around the city centre. But this is not true, uniformly, around the country.

The market in Rotterdam, for example, is softer than in Amsterdam, with interest in office space in the city centre under pressure.

Elsewhere, the picture is

mixed. DTZ Zadelhoff said a shortage of modern, well-situated office buildings has emerged in a few regions, such as Groningen, Enschede, Arnhem, Eindhoven and Breda.

Compared with the situation in the Netherlands, Belgium's office property market has a bit further to go before the process of recovery takes hold. Richard Ellis forecasts that a

strengthening in Belgium, which now seems to be poised to come out of recession, will probably not emerge until 1996-97.

In and around Brussels, the vacancy rate has increased marginally to 8 per cent.

At the same time, the earlier trend towards fragmentation of the market has continued, with properties along the Avenue Louise approaching vacancy rates of 20 per cent.

Demand exists for new properties but there are fewer and fewer new buildings to be had. In fact, the availability of space in this sector has fallen to such an extent that new properties represent just 10 per cent of current supply.

"On the other hand, poorer quality and secondary space is increasingly available and comprises an ever larger proportion of overall availability," Richard Ellis says.

Another trend - the move away from the city centre because of congestion, to areas on Brussels' periphery and beyond - has also persisted and accelerated. "Although the process of decentralisation is easy to overestimate, the trend is supported by hard figures," it says.

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## THE PROPERTY MARKET

# The mobile office

Technology is reducing demand for space, says Simon London

Multinational companies are beginning to explore the introduction of flexible working practices, such as desk-sharing and home working, using mobile communications technology.

This could be the next step for manufacturers such as Whirlpool, the domestic appliances maker, which - as *The Property Column* explained last week - has radically reduced its consumption of property by re-engineering its business.

So far, it is the companies that sell the communications technology that have been first to examine the possibilities.

International Business Machines has halved its office space requirement in the UK to roughly 2m sq ft over the past three years. Mr Michael Brooks, property director of IBM (UK), estimates that about 400,000 sq ft of this reduction is the direct result of flexible working.

The company estimates that its offices cost on average £30 per sq ft to rent and run, which implies annualised savings of about £12m.

The full cost equation is not quite as simple. Equipping 6,000 staff with laptop computers - allowing them to work away from the office and at different desks at different offices - has not been cheap. Communications infrastructure is also required to support this mobile technology.

On the other hand, flexible working aims to increase the productivity of sales and support staff, although these bene-

fits are difficult to measure.

The most telling statistic is that each employee in IBM's central marketing and services operation now consumes 180 sq ft of space, down from 230 sq ft three years ago.

The show-piece of IBM's new culture is its national marketing centre at Bedford Lakes, near Heathrow airport. The building, designed by architect Michael Hopkins around a large central atrium, opened two years ago.

Sales and marketing staff share desks and offices and are encouraged to use the central cafeteria area as an informal meeting place. This has greatly improved the efficiency of the building.

Mr Brooks says: "Most of the desks in our old buildings were empty most of the time. The buildings were used to no more than 25 per cent of capacity during a normal working week."

He estimates that capacity

utilisation at Bedford Lakes is closer to 60 per cent. This could be increased further by eroding boundaries within the building. Business groups could lose dedicated spaces, for example, so the whole building becomes communal.

However, the company recognises that there could be hidden dangers in chipping away at its employees' territorial instincts.

"We have to be careful not to damage group identities," says Mr Peter Wingrave, design and construction manager. "The invisible glue which holds the company together may have to be provided in other ways."

So far IBM has concentrated on sales and marketing jobs, which are inherently mobile. It is cautious about applying similar methods to "static" administrative functions, which would involve the introduction of home working.

Pilot schemes have shown that, while some staff are keen to participate in home working, others are deeply suspicious. "I am not convinced that there is much to be gained from a big leap towards home working. The benefits will come over time but only slowly," says Mr Brooks.

Even so, the introduction of flexible working among its "mobile" staff has brought IBM clear benefits.

The change would not have been possible within its old buildings. The flow of staff, customers, contractors and ideas around Bedford Lakes is only possible because of the building's open design.

Mr Wingrave describes the building as a "marketplace". Even a short visit endorses this view. Unlike a traditional office building, the central atrium is alive with the sound of chance meetings, conversation and the exchange of ideas.

The message from IBM is that flexible working both reduces the amount of office space required and demands a new type of space.

How far these practices spread remains to be seen. Given the nature of its products, IBM has a vested interest in making a success of flexible working.

As IBM knows only too well, though, the price of information and communications technology is falling all the time. By the time other industrial and service companies have finished their latest round of re-engineering, the capital cost of moving to flexible working will be much less of a barrier.

## John Beckwith's new venture aims to offer diversification of risk

### Series of funds planned

Of all the highfliers in the 1980s property boom, Mr John Beckwith escaped the subsequent downturn with his reputation least tarnished. London & Edinburgh Trust, the company he set up with his brother Peter in 1971, was sold to SPP, the Swedish insurer, for £491m at the peak of the market in 1990.

Since then, instead of trying to recreate the success of LET, Mr Beckwith has chosen a different tack. Through Beckwith Capital Partners, the main vehicle for his business interests, he has acquired a half share in River & Mercantile, the venerable investment trust manager, and a stake in Riverside, which operates an expanding European chain of tennis and leisure clubs.

He also has private interests in property development projects, ranging from warehouses in Surrey to offices in Prague. Today sees the launch of Beckwith Property Fund Management (BPFM), a joint venture with Richard Ellis, the surveyors, and AIG, the US-based insurance group. The threesome plan a series of international property investment funds aimed at institutions and wealthy individuals.

A £25m fund providing mezzanine finance to the UK property market is close to being



John Beckwith: has a reputation for being a canny investor

BPFM, it will have sufficient capital to invest alongside outside institutions in the planned series of funds. It is envisaged that AIG will invest in the funds in its own right - especially in Asia, where it has extensive insurance operations - as well as taking a stake in the new fund manager.

But why should other insurance companies or pension funds sign up for BPFM's funds rather than going it alone?

According to Mr Beckwith, the main attraction is the ability to diversify risk by investing in a pool of assets rather than buying an individual building.

There is also the promise of liquidity, since the funds will either be listed on local stock markets or offer the promise of a listing at a later date.

However, it will only be possible to achieve diversity of risk and liquidity if each fund achieves a critical mass. Mr Beckwith hopes that AIG's involvement will attract other North American institutions which want to invest in international property markets.

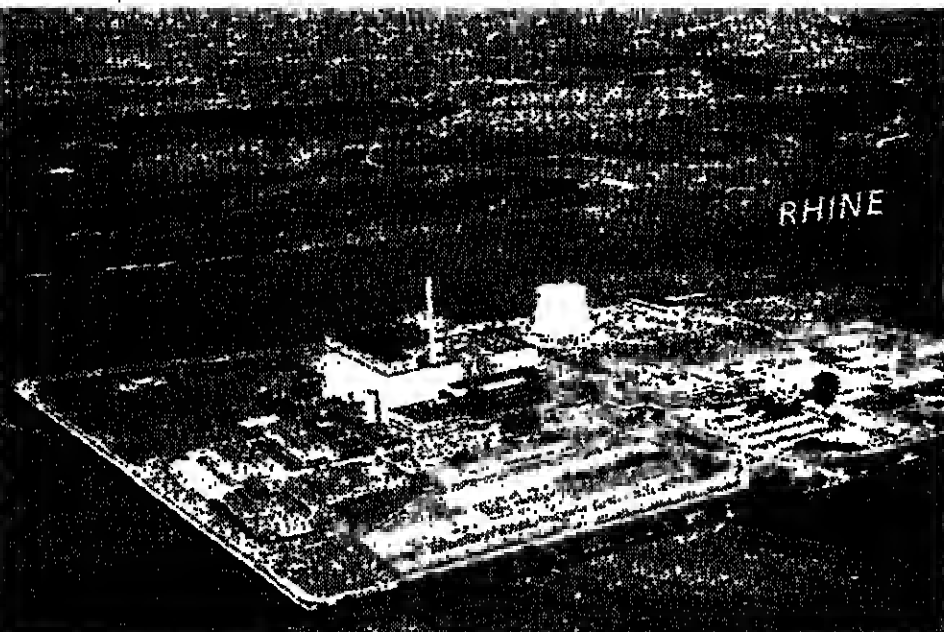
The response of European institutions - well aware of his reputation as a canny investor - probably depends on the structure of each fund.

Simon London

## COMMERCIAL PROPERTY

## OFFER

### Industrial site on the left bank of the Lower Rhine



Situated approximately 5 km from the city centre of the small town of Kalkar (approx. 11,000 inhabitants) in the Lower Rhine region, the entire power plant site of a fast breeder (never commissioned) is up for sale.

The area located within the boundaries of the communities of Wisselward and Hönnepele has a size of approx. 290,000 m<sup>2</sup>.

The site comprises all buildings and structures of the power plant with the appertaining administrative buildings, workshops, garages and storage buildings enclosed by a water ditch and a fence.

A connection to the high-voltage grid is provided.

At present, the zoning plan imposes an agricultural use of the area. According to information from the Kalkar municipality, a conversion into an industrial or trading estate is possible under specific circumstances.

Due to the site's proximity to the existing system of federal highways, transport connections to the larger towns of Kalkar, Goch, Kleve and the area on the right of the Rhine as well as to the motorway system (A 3, A 57) may be described as good.

There is need for improving the site's link to the system of federal highways on account of narrow-access roads.

The site has its own sewage plant and provides the opportunity to use a roll-on/roll-off ramp located between Rhine kilometres 842 and 843.

Kalkar and Kleve, the administrative seat of the district, provide a sufficient infrastructure of schools and public authorities. Land for residential development is available in the surroundings of the neighbouring communities.

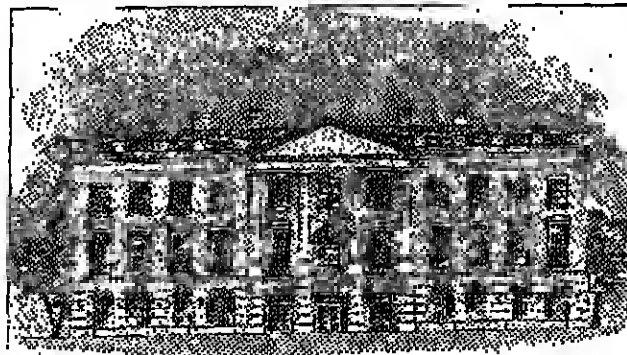
According to the regulations for regional economic development of the Land of North-Rhine/Westphalia, investors are given the highest level of grants for industrial/business investments.

Bidders who are interested in the purchase of the entire property are requested to submit a binding offer to

Schnell-Brüter-Kernkraftwerksges. mbH  
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by 30 June 1995. Plans and documents concerning the entire property may be examined by appointment (tel: (+49) 2824-142103 or 142112; fax: (+49) 2824-142109).

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## MANAGEMENT

A gordo in Italy's Dolomite mountains, and Santeramo down near the heel of the Italian peninsula, are a long way from Wall Street. Yet these small towns - at opposite ends of the country - are home to two of Italy's most successful exporters: Luxottica, one of the world's biggest manufacturers of spectacle frames, and Natuzzi, which makes leather sofas. Both are listed on the New York Stock Exchange.

Their links to the US market are not merely financial. Just under half of Natuzzi's sales come from the Americas, and nearly 40 per cent of Luxottica's 1994 turnover was from US operations. Last week, Luxottica launched a \$1.1bn (£690m) hostile bid for US Shoe, an Ohio-based retailer, in a move aimed at protecting and expanding its share of the North American market.

The international success of these two Italian companies is a matter of pride both for their founders - sober-suited Leonardo Del Vecchio at Luxottica, and the flamboyant Pasquale Natuzzi - and the small towns which fostered them. But expansion could subject the traditional Italian bond between prosperous family-controlled enterprise and local community to new strains, obliging the companies to examine new strategies for growth.

Other labour-intensive Italian exporters have already been forced to look beyond Italy's borders for cheaper manufacturing locations. Fila, the Italian sportswear and sports shoe manufacturer, which is also quoted in New York, started as a family-owned knitwear manufacturer in 1926, but now less than 10 per cent of its goods are made in Italy. Marzotto, the textile and clothing manufacturer which is one of Luxottica's neighbours in the Veneto region, has been cutting jobs at Valdagno, where the group was born, and elsewhere in Italy. It has invested in yarn and thread manufacturers in the Czech republic and Tunisia, where labour costs are a tenth of those at home.

However, both Del Vecchio and Natuzzi still feel they owe a debt to the places that launched them on the road to wealth. Agordo and Santeramo were facing similar problems of emigration and economic decline in the 1960s and 1980s, before Luxottica and Natuzzi arrived, but they have since been rewarded with unprecedented investment in jobs and plant.

Del Vecchio, who now commutes by helicopter between the Dolomites and Milan, is proud that Luxottica employs someone from almost every family in Agordo and the surrounding area, while Natuzzi raises the "potential and productivity of the people of the south".

Success has come in spite of geographical location. Santeramo may



Leonardo Del Vecchio (left) and Pasquale Natuzzi feel they owe a debt to the towns that launched them on the road to wealth

## There's no place like home

Italy's Luxottica and Natuzzi are showing that remote locations need not hinder growth, writes Andrew Hill

be a short distance from the ports of Taranto and Bari, for example, but Natuzzi's sofas have to travel across the peninsula to the container ports of Naples or Salerno for shipping. Luxottica's products are easier to transport, but in 1986 the group's headquarters and main manufacturing facility were cut off by snow storms for seven days. That prompted investment in a more accessible factory, also in the Veneto, like the other Luxottica plants.

Long experience and increasingly sophisticated computer links between manufacturing and distributing operations have reduced such problems to a minimum, however. As Luigi Francavilla, director-general of Luxottica, puts it: "If the industry is good, it works wherever it is."

The 1992 devaluation of the Italian lira, and its subsequent weakness against the US dollar and the D-Mark, have also helped. But now the companies are looking for new ways to expand. Both have turned to direct retailing of their products as a way of gaining market share. Luxottica's bid for US Shoe is its first attempt to buy into the stores which sell its products, while Natuzzi has developed its Divani & Divani chain of franchised furniture

stores to sell its sofas in Italy and certain foreign markets.

Expansion has also obliged Luxottica and Natuzzi to intensify their search for and training of local workers. Natuzzi, although based in an area of high unemployment, has faced the biggest problem. As Giuseppe Desantis, chief operating officer, explains: "We can't increase the productive capacity overnight. We have to take on qualified people, and if we don't have people who know how to cut leather and upholster, we can't continue to grow production."

Although there are plenty of jobs to go around, both Natuzzi and Luxottica have examined the possibilities of manufacturing elsewhere. Natuzzi looked at manufacturing in the US or even Mexico, but discovered it would have cost more to produce in the US than in Italy, while Mexican-made sofas would have been "badly received" by the clients. In any case, Pasquale Natuzzi remains a Versace-dressed missionary for the virtues of a much-maligned southern Italy, where industry has been neglected. He is backing that vision with plans for investment. Last November, Natuzzi announced it was considering a £900m (£331.24m) invest-

ment in a new 300,000 sq m factory in Santeramo, dependent on backing by the Italian government or European Union. That would lift production capacity three-fold and add 5,800 employees to the group's payroll of nearly 2,200 people.

Luxottica has also been investing in its Agordo facilities, but at the same time Del Vecchio and his colleagues have looked at the options for low-cost manufacturing. Rivals are already taking advantage of cheaper suppliers.

Indeed, Luxottica's US Shoe bid is partly an attempt to wrestle back market share from East Asian imports, which Del Vecchio claims are being sold at the same price as Luxottica products through US Shoe's LensCrafters chain of stores. "If at a certain moment, we have to produce outside Italy we would do it, to defend the integrity of the company and shareholders, and also to defend the workforce in Italy," Del Vecchio explains.

For the moment, however, he - like Natuzzi - is backing the quality and efficiency of his Veneto plants. It seems that what Italians call "I made in Italy" will have to lose a lot more ground, before the workers of Agordo and Santeramo need worry about their future.

Jobless Swedish executives have the chance to start their own businesses, says Andrew Bolger

## Enterprising idea for career renewal

Unemployed Swedish executives are being offered an intriguing challenge: work without pay for six months, and you could end up with a stake in your own company.

Stockholm-based MGruppen, one of Europe's oldest management institutes, has created a scheme called Renewal Enterprises, which has had considerable success in placing white-collar workers back in employment.

Executives receive only their usual unemployment benefit when attending the Renewal scheme. Ideas for their new businesses - mostly in the service sector - come either from unemployed individuals or from people with good ideas who are happy for MGruppen to test their feasibility.

Last year more than 2,000 people participated in Renewal Enterprises in cities across Sweden. More than half ended up with full-time jobs - either in their own or other companies. This compares with a success rate on Swedish government-funded jobless projects for all types of worker which can be as low as 2 or 3 per cent.

Having enjoyed decades of high employment, Sweden saw its jobless rate soar in the early 1990s as the economy was hit by high interest rates, fiscal crisis and recession. For the first time thousands of highly qualified, white-collar workers were out of work.

Lars Osterlind, chief executive of MGruppen, recalls: "Travelling to work every day, I saw more and more offices being cleared out. Signs appeared urging you to rent vacant space. At the same time, my desk was filled up by one analysis after another showing a new pattern in the structure of employment."

"The excess of empty offices, the demand for a new type of service business and this resource of white-collar workers who were available gave me the idea."

MGruppen, a private-sector institute, receives a fee from the local state unemployment agency of between SKr25,000 (£2,375) and

SKr52,000 for each candidate, which also covers the rental of office space and equipment. The institute chooses small management teams and matches them with business ideas. The teams then receive two weeks of intensive instruction, during which they are schooled in business methods and hammer out a business plan.

Pehr Garpegaard, a former sales and marketing executive who was a participant, "These were the most terrific, bewildering and work-intensive weeks of my life."

Renewal Enterprises deliberately drives people hard during these early weeks, testing their ability to work together and the viability of the business ideas. Renewal retains ownership of each proposed company and does not hesitate to replace executives

you don't do it, you fool yourself by creating a false picture of the company's ability to survive."

At the end of the six-month period, the companies are evaluated and the successful ones hived off, with the equity going to the managers and employees. It is at this stage that individuals who passed on business ideas are rewarded with licensing agreements or equity stakes.

Renewal does not receive any equity in the companies, although it sometimes keeps a representative on the board.

One of Renewal's most successful ventures is the brainchild of Birgitta Frejthagen, a former executive director with the Swedish insurance group Folksam. She now has a 70 per cent stake in Information and Competence, a company employing 40 people.

Frejthagen, an information technology expert, spotted that the restructuring of Swedish industry had created a gap in the market. Companies now want blue-collar and junior white-collar workers to take increased responsibility - but many of these staff need help to do so.

Frejthagen's company teaches information technology, economics and social skills - such as conducting a meeting. "We train them in self-confidence - that's our main achievement," she says.

MGruppen would like to extend the Renewal principle beyond the jobless. It believes many working executives have ideas that could be turned into viable businesses, but they do not want to take the risk of giving up their present jobs to put them to the test.

The institute would like executives to be able to take extended leave of absence from their present employer. They could then test their business ideas, but still be able to return to their main career - whether or not the ideas bore fruit.

Bjorn Rosenegren, chairman of the white-collar union federation TOC, says: "Renewal Enterprises is the future when it comes to creating new jobs."

### Many working executives have ideas that could be turned into viable businesses

who do not measure up.

If the business plans appear to be viable, the ventures are established as limited liability companies and recruitment begins. The companies take on unemployed workers who receive only their state unemployment benefit during six months of "on the job training".

The operations typically share offices and computer equipment. In Swedish egalitarian style, all employees take turns cleaning lavatories, sweeping floors and emptying waste paper baskets.

Osterlind says: "The belief in success must be greater than the fear of failure. It is important not to be discouraged by the first setbacks - they tend to come before success. The secret is to look for possibilities, not problems."

Kjell Westerberg, managing director of Renewal, adds: "The managers have to calculate as if they have real payroll expenses. If

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### CONTRACTS & TENDERS

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The Central Committee for Procurement, on behalf of the Secretariat for Urban Development and the Environment, announces that the INTERNATIONAL COMPETITIVE BID FOR TENDERS # 01/95 - Indicator for solid hospital wastes - 15,000 kg/day capacity, is being postponed from March 21, 1995 to May 5, 1995 at 4.00 pm for administrative reasons. Documents are to be delivered at rua Silva Paulet - 324, Aldeota - Fortaleza - Ceara - Brazil.

Fortaleza, March 3, 1995  
The Committee

### APPOINTMENTS

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### LEGAL NOTICES

Notice of appointment of Administrative Receiver  
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Registered number 01781. Nature of business: Builders Merchants. Trade classification: 29. Date of appointment of administrative receiver: 2 March 1995. Name of person appointing the administrative receiver: National Westminster Bank Plc. Appointors: N J Knight and T R Harris Joint Administrative Receivers, office 400 City Road, London EC1Y 1AG. Address: 400 City Road, London EC1Y 1AG. Tel: 020 7460 1111. Fax: 020 7460 1112.

### BIRTHS

#### CONGRATULATIONS

from one executive team to another.  
To Robert and Nicola PEASNELL on the birth of Angus Robert Berle. Nb 13.02. on the 4th March 1995 at Edgware Hospital. From everyone at McCann-Erickson Recruitment

The Financial Times plans to publish a survey on

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on Tuesday, April 4th

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FT Surveys

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## ARTS

## Youth and experience wield the baton

The Stockholm Philharmonic Orchestra is coming in from the cold. Richard Fairman reports

The weather forecast predicting that Stockholm would be the coldest capital in the world proved to be over-optimistic. It was a crisp and sunny day as journalists arrived at the press conference announcing the appointment of a new conductor for the Royal Stockholm Philharmonic Orchestra.

The drive to get more international coverage for the orchestra is an important part of the management's overall plan. Sweden has been through a few lean years in its economy and, as growth starts to bring a thaw, it is important that arts institutions position themselves to benefit from a changed economic climate as effectively as they can. Europe has a number of orchestras - Birmingham and Oslo, Lyon and Leipzig - which raised their international profile in the 1980s and Stockholm does not want to get left behind.

There was a surprise for the press gathered at the Stockholm Concert Hall. The orchestra has decided to go back to an earlier arrangement, whereby it has not one, but two conductors with equal

responsibility: joint principal guest conductors Andrew Davis and Paavo Järvi, representing experience and youth respectively. Davis has won a reputation as an effective orchestral trainer at the BBC Symphony; the Estonian Järvi, only 33, is an investment for the future.

Ake Holmquist, the executive and artistic director of the Stockholm Concert Hall Foundation, is confident there will be no clash of interests. "They are both open-minded people", he says. Andrew Davis will be in charge of the first foreign tour and brings with him his recording contract with Warner Classics (he will be making recordings on the Finlandia label, which Warner recently acquired). Paavo Järvi will make recordings for Virgin.

Holmquist hopes that both will encourage Swedish music. Davis may record some Berwald, Järvi some Stenhammar. As he

remarked, it helps to raise the standing of Swedish composers if conductors from abroad are seen to take them seriously. I put it to him that Sweden's musical profile has lagged behind that of the other Scandinavian countries in recent years: Norway has the Oslo Philharmonic, and Finland has energetically promoted its living composers, like Sallinen.

He thought the lack of a national figurehead was a major disadvantage. "Finland has Sibelius, Norway has Grieg, Denmark has Nielsen, but what about Sweden? Since the war we have had marvellous singers like Nilsson and Söderström, and from the 1980s instrumentalists like the trumpeter Håkan Hardenberger have come forward, but they do not embody their country in the way that a national institution - like an orchestra or an opera company - can."

Holmquist's policy for increasing awareness falls into two parts: to send the orchestra out on tour and to bring what is already going on at home to notice overseas. How many people know that each year the Stockholm Concert Hall is host to a festival devoted to a 20th-century, and usually living, composer? The featured composers are alternately Swedish one year, foreign the next. Penderecki and Lutoslawski have already taken part, conducting and talking about their music.

Holmquist explains that the festivals have justified themselves by drawing a new and younger audience. "Most contemporary music festivals are for experts, not for the average music-lover. We found that people need to see the music put in context. It is important to choose a living composer who can be present, and also one whose music reveals artistic or human develop-

ment. When we scheduled a piece of new music in the middle of a programme of standard classics, people complained that they didn't want modern music. Yet for these festivals we drew audiences over 90 per cent from the start."

The commitment to 20th-century music extends to one-off concerts. The evening before the press conference, John Adams was in Stockholm to conduct an all-American programme. In Ives and Copland the orchestra's untidy playing was a long way from the quality it showed on its last visit to London, but in Adams's own violin concerto the music-making found more purpose. Among new concertos, this is one of the most effective, even if its slow movement is too close to Britten's concerto for comfort. The solo part was elegantly played by Kurt Nikkanen.

How will he finance such bold programming if Sweden's traditionally generous public support ebbs away? "When I arrived in 1986 public support was 85 per cent. Now it is down to 65 per cent. Since the recession our grant has not kept pace with inflation. If the orchestra wants to fulfil its ambitions, it will have to find the money for itself. Sponsorship is relatively new here, and at first was politically controversial. When Trygg-Hansa announced its sponsorship of the orchestra in 1988, there was a debate in the main concert hall at which the minister said, 'I have my insurance in Trygg-Hansa and am not prepared to pay through them as an individual to the Stockholm Philharmonic'. Then his position in government changed and he found himself looking for sponsorship for a national encyclopedia. "It is ironic that Trygg-Hansa wanted to be as discreet as possible

about its sponsorship, but the tax authorities said that the company had to advertise its involvement more prominently if it was to protect its tax advantages. Trygg-Hansa was posed the question: 'Is this sponsorship really marketing or just financial support?' Over seven years it has given up to 40m Swedish krona.

"Most Swedish arts organisations accept sponsorship these days. We are entering a period in which private companies, especially exporters, are doing well, while the government is weighed down by public debt, so I believe the balance is likely to tilt further. We have received two messages from government: there is no more money so you will have to help yourselves, and whatever else you do, you must keep ticket prices within reach of anybody who wants to attend."

That is a thoroughly Swedish principle, which could be another valuable cultural export. Indeed, marketing of the arts in Sweden worldwide is at the top of the agenda. In 1998 Stockholm will be Cultural Capital of Europe. The city's orchestra is making sure it will be ready.

## Theatre/Alastair Macaulay

## Agamemnon's Children

Even in translation, the Greek tragedies continue to ring in our minds. Did they ring in Shakespeare's too? I was not alone in hearing the Hamlet-like dilemma of Orestes in Wednesday's premiere of *Agamemnon's Children*, a fresh and vital triple bill of seldom seen Euripides plays now at the Gate Theatre. Yet Euripides sometimes sounds not like Shakespeare's forbear but like a modernist of our own era.

Euripides becomes yet more modern and colloquial in the translations for *Agamemnon's Children* by Kenneth McLish. "You are Daddy's daughter, not Mummy's," Clytemnestra tells Electra; Helen derides and sweethearts her daughter Hermione; Orestes asks Phylades "Are you thinking what I'm thinking?" I find that McLish often pushes Euripides's parlance into the up-to-date chattiness of Aristophanes, and that he turns Euripides's sentences from their complex Indo-European twists and turns into Pinteresque fragmentation. But what I love is that he makes me re-think the Aristophanic and Pinteresque (and other) resemblances in Euripides; at almost no point does he draw attention to himself. When, in *Iphigeneia*, he gives occasional rhyming couplets to the chorus leader, he makes us think not of his own wit as a rhymester but of the way that Shakespeare rounds off a scene.

The Greek tragedians wrote plays in trilogy format, but Aeschylus's *Oresteia* is the only trilogy that now survives. There are, however, so many narrative links between some of the other plays that it is tempting to create other trilogies. Four years back, the RSC staged Sophocles's three "Theban" plays; and last year, in a maddeningly dull Young Vic production, *Orestes* - and the *Lack of Thebes*, McLish linked chunks of the same three plays to Aeschylus's *Seven Against Thebes*.

*Agamemnon's Children* works remarkably well. (It should, however, have been made more clear that Euripides wrote two extant *Iphigeneia* plays, and that this one is about her in exile in Tauris.) One can argue about some of the anachronisms of Laurence Boswell's production, of Mike Sands's music, and of Christian Fitt's choreography; one can certainly argue about some of the performances. The whole event, however, has its own style, wit, and communicative urgency.

This is Boswell's farewell production as artistic director of the Gate, and after last year's clanking account of *Macbeth*, *The Cheating Heart* it is good to see him return to the form that made his stagings of Lope de Vega's

*Punishment without Revenge*, *Madness in Valencia* and *The Great Pretenders* so distinguished. The treatment of the space is imaginative, even by Gate standards. The audience sits on either side of the stage space, in specially created tiered seating that transforms the Gate into a miniature Epidaurus. Anthony McElwaine's basic set is economically transformed into a different locale for each play; actors and chorus members enter either from centre-stage, from either side of the auditorium, or (trust Clytemnestra to be different) from beneath. Costumes are in ancient mode with a few modern trimmings.

The most surprising and rounded interpretation of all is Barbara Flynn's as Iphigeneia. Iphigeneia, presumed by civilised Greece to have perished long ago at Aulis under her father's sacrificial blade (see Euripides's other *Iphigeneia* play) and dwelling in exile in barbarous Tauris, is the loneliest of heroines; and many of us conceive her in the grandly austere terms of Gluck's or Goethe's 18th-century neoclassicism. Flynn catches the loneliness with soft-voiced utterance and motionless stance, and can infect her with the ritualistic amplitude appropriate to an ancient priestess. But her Iphigeneia is also dry, witty, no-nonsense; as real and modern as Euripides's more shocking heroines Phaedra and Medea. Just because she never melodramatises a single episode, the recognition scene between her and her brother Orestes - surely the most affecting such scene in all drama - is all the more radiant.

The production's other triumph is Mike Sands's music and the excellence with which it is sung. We are not aware of cues; pulses are sometimes insensate; the choral odes seem to arise automatically from six or more women at once. The music is a skilful blend of plainsong, kaddish, and African and Sephardic chants, with exceptionally fine touches of various floruit, and with striking harmonies between different vocal registers. You can find faults in some of the acting - Sara Mair Thomas's intense Electra overdoes the vocal tremolo and wide-eyed neurosis, and Charles Dais's Orestes is so subdued that his torments have no particular impact. But these performances are certainly engaged, and you have to smile at the *Yes-Zee* inflections which Thalia Valeta brings to Helen ("I wonder, darling, if you would mind..."). Euripides lives, and is very welcome.

"Agamemnon's Children" is at the Gate Theatre, W.11, until April 1.



Barbara Flynn: she catches the loneliness of Iphigeneia

## Ballet/Clement Crisp

## Saints and Shadows

This year Arc Dance Company celebrates its tenth birthday, and for the troupe - which he directs - Kim Brandstrup has made more than a dozen works. Brandstrup is a product of the London Contemporary Dance School, but in his native Denmark he also studied film, and his creations have in various degrees been distinguished by his understanding of cinematic techniques. An acute sense of the possibilities of lighting, an awareness of how narrative may be cast in oblique yet telling terms - this last important in that he has made dance-adaptations of plays; a fluidity in shaping events and movement that owes something to film editing and cutting - these inform his work and give it a very personal and poetic look.

Nowhere more potently so than in *Saints and Shadows*, which received its first London performance on Wednesday night at the Gate Theatre. It is a study of the All Saints Day rituals and festivities in Mexico. Arc's Franciscan poverty - blessed in a world where idiot choreography is decked with official cash as an alternative to talent - means that the staging is austere and also imaginatively rich. (Design by Craig Givens; lighting by Tina MacIntyre; both splendid.)

A ladder like a Noguera sculpture at stage left is the passage whereby the dead return and the living may ascend. At the rear, lamps to

suggest a bar, and a shadowy prospect of a wall. In this arena, Brandstrup places his nine admirable dancers, and his choreography contemplates the extraordinary rites for the Day of the Dead, where joviality mixes with reverence, and the dead may walk again amid the sugar skulls and the bright sound of bands. (How different our child graveyards and the smell of chrysanthemums.)

What Brandstrup does so well is to convey the joys and terrors of Mexican peasant faith - that admixture of Catholicism and Indian beliefs - linked to an acceptance of death. He does this through constant shifts of emphasis between mysterious ascents and descents of men on the ladder, with the tremendous Kenneth Tharp dominating the action as a revenant, and displays of popular dance. Ian Dearden's fine score shifts between echoing sonorities and the real sound of salsa and merengue in the same way that Brandstrup switches moods between the demotic of celebration and the aspirations of the faithful.

The imagery is haunting. Brandstrup has taken his choreographic camera into bars and graveyards, into a society. His editing - his dance invention and his secure sense of form - is bold yet complex, exactly judged. We know, and are moved by, what he has seen. *Saints and Shadows* is a very fine work, and it is worth

definitely danced by Kenneth Tharp, by Paul Joseph who is shown as a young buck touched by death, and by their colleagues.

This recent piece (it was first shown in Copenhagen last summer) is a constant of Arc's programmes this week. On Wednesday night it was given with Brandstrup's beautiful *Orfeo*, made for London Contemporary Dance. The dazzling idea is to cast the narrative in terms of baroque theatre and dress (Craig Givens's costumeing is a feast for the eye). The dance manner, like the design, is grand, restrained, with a No-like clarity and intensity. Purg'd of emotional decoration - movement has the formal power of Alexandrianes - the choreography renews the tragedy, and in what I can only describe as a heart-warming trick, restores Eurycleia to Orpheus at the end.

It is a beautiful work of art, and is magnificently danced by Kenneth Tharp as Orpheus, Paul Joseph as Eurydice, Kenneth Tharp as a pantherish, stalking Death, and Mark Ashman as Apollo, white-clad and grand as that master of baroque dance, Gaetano Vestris (who said, when a lady took to his toe: "Madam, you have put all Paris in mourning for a week"). Arc Dance's season ends on Saturday, and I recommend it to you.

Arc Dance at Sadler's Wells until Saturday. *Orfeo* alternates with *Orfeo* in repertory with *Saints and Shadows*.

## Royal Academy to host African exhibition

The most comprehensive exhibition of the art of Africa ever held in the UK is the highlight of the 1995-96 season at the Royal Academy. With over 800 exhibits, it is the centrepiece of the African Festival which is taking place this year throughout the country. The displays range from Ancient Egypt, through the treasures of Benin, the wooden figures of the Fang and the textiles of Zaire, to the Mamluk art of medieval Cairo. The exhibition opens on October 5 and runs until the end of January 1996. The other major exhibitions at the RA include a centennial show devoted to Lord Leigh-

ton, a former president; the work of Gustave Caillebotte, who died young and is dubbed "the unknown Impressionist"; *From Monet to Gauguin*, a group of 60 little known Impressionist masterpieces from Swiss private collections; and *David Hockney: Works on paper*. In February 1996 there is an exhibition of the art of Sir Roger de Grey, the previous RA President, who died last month.

Although its attendances were up slightly last year, to 852,000, the RA made a loss of £647,000 on a turnover of around £13m. This was mainly due to a fall in corporate sponsorship. The accumulated sur-

pluses from the previous three seasons wiped away the shortfall, but the RA (which gets no government grant) is continuing its efforts to broaden its income, becoming less dependent on sponsors and more on its Friends (at over 70,000 the largest such group in the UK), admissions, and trading activities.

In May the RA is publicly to announce its plan to take over the adjacent Museum of Man-kind (which is moving back into the British Museum) and devote it to architecture. Michael Hopkins has been chosen as architect to the scheme.

Antony Thornicroft

## INTERNATIONAL ARTS GUIDE

## AMSTERDAM

GALLERIES  
Amsterdam Historische Tel: (020) 523 1822

● Hunger, Winter and Liberation in Amsterdam: exhibition that marks the changes in Amsterdam during the last months of WWII and the Liberation; to Sep 8  
Jewish Historical Tel: (020) 626 9945

● Taking a Stand: exhibition shows the work of two artists, Ralph Purns and Felix Nussbaum to commemorate the 50th anniversary of the Liberation. Nussbaum was killed in Auschwitz and Purns was one of the survivors of the Theresienstadt camp; to May 7

## BERLIN

OPERA/BALLET  
Deutsche Oper Tel: (030) 341 9249  
● Die Zauberflöte by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Kildner; 7pm; Mar 10, 13, 15  
● Martha oder Der Markt zu

Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 11, 14, 16

## LONDON

CONCERTS  
Barbican Tel: (0171) 638 8891

● Opera Gala Night: operatic highlights from the London Symphony Orchestra conducted by Paul Wynne Griffiths. Soloists include soprano Josephine Barstow and tenor Arthur Davies; 8pm; Mar 11

Festival Hall Tel: (0171) 926 8800  
● Philharmonia Orchestra, with pianist Murray Perahia. Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 11, 14

## GALLERIES

Serpentine Tel: (0171) 402 0343  
● Man Ray: exhibition of works by the celebrated artist; to Mar 12

## OPERA/BALLET

English National Opera Tel: (0171) 632 8900

● Don Giovanni: a new production of Mozart's opera. In house debuts for director Guy Joosten and conductor Marius Stenz; 7pm; Mar 15

● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 11, 14

● The Cunning Little Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 10, 13, 16

Royal Opera House Tel: (0171) 340 4000

● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von

Dohnányi; 8pm; Mar 11 (7pm), 15  
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov; production by Anthony Dowell; 7.30pm; Mar 10, 14

## THEATRE

Apollo Shaftesbury Tel: (0171) 494 5070

● In Praise of Love: by Terence Rattigan. Directed by Richard Olivier, this comedy is based on the relationship between Rex Harrison and his wife. With Peter Bowles and Lisa Harrow; 8pm; (Not Sun)

Old Vic Tel: (0171) 926 7818  
● Conversations with My Father: by Herb Gardner and directed by Alan Ayckbourn. Stars Judd Hirsch who won a Tony award for his role; 7.45pm; (Not Sun)

## LOS ANGELES

CONCERTS  
Dorothy Chandler Pavilion

● Fleisher Plays Ravel: with pianist Leon Fleisher and mezzo-soprano Carmella Jones. Lawrence Foster conducts Steiger, Falla and Ravel's "Piano Concerto in D"; 8pm; Mar 10 (1.30pm), 11, 12 (2.30pm)

## NEW YORK

CONCERTS  
Avery Fisher Tel: (212) 875 5030

● American Symphony Orchestra: with pianist Robert Taub and soloists Christine Goerke and Marietta Simpson. Leon Botstein conducts Mendelssohn and Szymanowski; 7.30pm; Mar 10

● New York Philharmonic: Valery Gergiev conducts Lisadov, Berlioz and Tchaikovsky; 8pm; Mar 11, 14

● New York Philharmonic: with soprano Gillian Webster. Sir Colin Davis conducts Mozart and Mahler; 8pm; Mar 16

● The London Philharmonic: Frank Welsch conducts Shostakovich and Strauss; 8pm; Mar 12

● The London Philharmonic: plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13

Carnegie Hall Tel: (212) 247 7800

● Yuri Bashmet: debut at this venue for the violinist recently named "Instrumentalist of the Year" at the 1994 International Classical Music Awards. He is joined by pianist Mikhail Muntyan to play Marais and Shostakovich; 8pm; Mar 14

GALLERIES  
Whitney Museum

● Franz Kline: Black and White 1950-81: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

OPERA/BALLET  
Metropolitan Tel: (212) 382 6000

● Der Rosenkavalier; by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Mar 10

● Idomeneo; by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 15

● La Bohème; by Puccini. Produced by Franco Zeffirelli, conducted by John Fiebig; 8pm; Mar 11, 14

● La Traviata; by Verdi. Produced by Franco Zeffirelli, conducted by John Fiebig; 8pm; Mar 13

● Simon Boccanegra; by Verdi. A new production directed by Giancarlo del Monaco; 8pm; Mar 11 (1.30pm), 16

THEATRE  
Variety Arts Tel: (212) 239 6200

● Death Defying: An African one act play by Woody Allen, David Mamet and Elaine May. Directed by Michael Blekenmore and with Linda Lavin, Debra Monk and Paul Guilfoyle; 8pm; (Not Mon)

## PARIS

CONCERTS  
Champs Elysées Tel: (1) 49 52 50 50

● Barbara Hendricks: soprano is joined by pianist Michael Tilson-Thomson to play Mahler, Wolf and Copland; 8pm; Mar 12

● London Symphony Orchestra: with violinist Anne-Sophie Mutter and soprano Laura Aikin. Pierre Boulez conducts Berg and Stravinsky; 8.30pm; Mar 11

● London Symphony Orchestra: Pierre Boulez conducts Ravel, Messiaen, Stravinsky and his own "Messiaenquise"; 8.30pm; Mar 12

● London Symphony Orchestra: with violinist Kyung-Wha Chung and under the direction of Pierre Boulez plays Ravel and Bartók; 8.30pm; Mar 13

OPERA/BALLET  
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Magnificat: music by Bach, choreography by John Neumeier. Günther/Rainer Mühlfeld directs this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 10, 11

● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gergely Grigorián

and Gaetan Laperrière; 7.30pm; Mar 16

## WASHINGTON

CONCERTS  
Kennedy Center Tel: (202) 467 4600

● Ballet National de Marseille: choreographer Roland Petit presents his 1991 ballet based on the style of several Charlie Chaplin films; 7.30pm; to Mar 12

● National Symphony Orchestra: with soprano Joyce West, tenor Joseph Harris and baritone Kevin McMillan. James Paul conducts Hugo Alfvén, Delius and Orff; 8.30pm; Mar 10 (1.30pm), 11

GALLERIES  
Corcoran Tel: (202) 638 3211

● Pedro Meyer: Truths and Fictions, A Journey from Documentary to Digital Photography. A combination of traditional street photography and photojournalism with digital imaging techniques; from Mar 11 to May 15

National Gallery Tel: (202) 737 4215

● The Glory of Venice: exhibition presented by the National Gallery of Art and the Royal Academy of Arts, London containing works by 18th century Venetian artists. Included are paintings, drawings, pastels, prints, illustrated books and sculptures by artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23

THEATRE  
Studio Theater Tel: (202) 332 3300

● Rhinoceros: by Ionesco. Joy Zinoman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; to Apr 5 (Not Mon)

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The struggle to find a new owner for Barings, the collapsed UK investment bank, has given a whole new meaning to the term "Dutch auction". In the week-long search for a buyer, two Dutch banks, ING and ABN Amro, stood out from the international competition as the most serious candidates, with ING finally acquiring what had been one of the most illustrious names in British banking.

Long-standing rivals in their small home market, ING and ABN Amro were both keen to acquire Barings. Their warring of wits was watched with relish across the North Sea in the Netherlands, where ING, seen as a brash newcomer, was pitted against the 171-year-old tradition of ABN Amro, the epitome of the Dutch establishment. ING's victory late on Sunday was heralded in several Dutch daily newspapers with splash headlines such as "ING trumps ABN Amro".

Mr Jan Kalf, ABN Amro's chairman, was at pains yesterday to emphasise his bank had never been in a direct race with ING for Barings. Speaking at the bank's press conference on the 1994 results, he said that, unlike ING, ABN Amro had only ever been interested in Barings' corporate finance and asset management arms.

"We never considered making a bid for the whole of Barings," Mr Kalf said. He added that he sent Mr Aed Jacobs, chairman of ING, a fax on Monday morning congratulating him on the takeover.

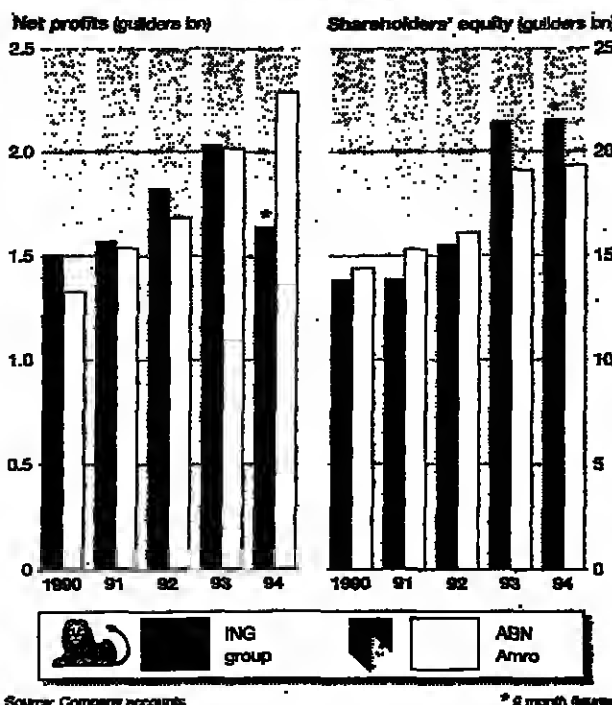
Though attention has focused mainly on the differences between the two rivals - with ING known for its innovative emphasis on both banking and insurance, and ABN Amro winning praise for its solid, conservative style of banking - the differences between them are more apparent than real. In terms of financial clout, they are a fairly even match, each with shareholders' equity of more than £18bn (\$12.3bn). ING has promoted itself as an emerging market bank, with 77 offices in exotic banking markets such as Hanoi and Havana. But ABN Amro's 601 foreign branches are more far-flung, making it a global bank with a long reach into 64 countries in Asia, Europe, North America and Africa. On Wednesday it became the first Dutch bank to be licensed to open a representative office in Rangoon, Burma.

Their highly international character is typical of Dutch business generally. With little

## Going Dutch on finance

Ronald van de Krol explains what drove two banks from the Netherlands to bid for Barings

Dutch banks on a shopping spree



Source: Company accounts

6 month figures

room for growth at home, larger companies have had to expand beyond the country's borders. The same is true for ABN Amro, ING and, to a lesser extent, Rabobank, the big co-operative bank with a lucrative international niche in agri-business lending. At home, these three account for 80 to 90 per cent of most types of banking businesses, with Rabobank strong in mortgage lending for homes and farms, ING in money transfers and ABN Amro in corporate credits and securities trading. Although ABN Amro in particular can trace its history back for generations, both ING and ABN Amro, in their present form, are the products of domestic mergers in the early 1990s. The mergers were seen as defensive but were also designed to enable further international growth. The fact that two of the Netherlands' leading banks - rather than French, German or

even in research and analysis, that are deemed necessary to compete with British merchant banks or competitors in the US, such as Goldman Sachs and Morgan Stanley.

In 1992, ABN Amro firmly established itself in the UK by taking over Hoare Govett, the British brokerage house, and ING's acquisition of Barings is seen as a response to that. Since taking over Hoare Govett, ABN Amro has moved its international equities operations, to London and affixed the ABN Amro Hoare Govett "brand name" to a number of products and subsidiaries.

Similarly, Barings' teams of analysts were of prime interest to ING, which has not managed to generate the quality of equities research and analysis to match its rapid strides forward in emerging markets banking in recent years.

These imperatives also hold true for German banks and, indeed, Deutsche Bank's acquisition of Morgan Grenfell, the UK investment bank, underlines the wider interest in London's banks.

But the Dutch banks, with little lending in the volatile property sector and no direct ownership of great swathes of Dutch industry, had sufficient financial strength to pay the \$660m which ING agreed to pump into Barings immediately on completion of the deal on Sunday night.

And, more so than banks in bigger countries, ABN Amro and ING are also anxious to build up what they call a second "home" market in Europe. A string of acquisitions in and around Chicago since the 1970s has made ABN Amro a leading foreign bank in the US, and it is eyeing similar investments in countries such as France and Germany. So far, it has been put off by prices commanded on the Continent.

ING, too, wants a second European home market. It came close to bidding for Banque Bruxelles Lambert, one of Belgium's big three banks, in November 1992 but it backed away after a disagreement over the price.

These two Dutch banks, fortified by their countrymen's reputation for loving a bargain, are clearly not going to go on a acquisitions spending spree at any price. But it is probable that people in countries other than Britain will also eventually be asking themselves "ING Who?" or "ABN Amro Who?" when the ownership of their bank suddenly changes hands.

## Philip Stephens

# Death of a lost clause



Tony Blair will succeed in rewriting Clause 4 of the Labour party constitution. If he does not, I will put money on Paddy Ashdown as the next occupant of 10 Downing Street.

For now, though, we should assume that Labour wants to keep its leader and to preserve the expectation that it will win the election. Whatever the intervening squalls, Mr Blair should secure a comfortable majority at next month's special conference for his own statement of aims and values.

The debate has been an instructive exercise. The past few months have given us a sight of the prime minister that Mr Blair would like to become. They have illuminated also the obsession with class politics which still permeates much of his party. The scrapping of Clause 4 will not be enough. If Mr Blair is to honour his claim to lead New Labour, it must mark a point of departure not a destination.

Consider the position taken this week by the TGWU. This once mighty trade union said it had thought hard about the issue. It had consulted its members. After counting heads in what I can only suppose were packed meetings of the union's local branches, the TGWU executive decided solemnly that nothing - that's right, nothing - could better articulate the ambitions of a modern left-of-centre party than a statement drafted more than three-quarters of a century ago.

No matter that the Labour party has been out of office for 16 years. No matter that the TGWU's own membership has collapsed during that period. Bill Morris, the general secretary, was adamant. There was no need to wait a few days until next Monday when Mr Blair will produce his alternative prospectus. Brimming with the wisdom that comes with the loss of more than a million members, the TGWU knew that the words penned by Sidney and Beatrice Webb in 1918 could never be improved upon.

Let's remind ourselves of the sacred text, contained, strictly speaking, in part iv of Clause 4. Labour exists "To secure for the producers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution and exchange."

hops 60-40 - in both the union and in the constituency sections of the conference.

Before then we will hear lots more about the betrayal of Labour's past. Later today, Mr Blair will appeal for support at the party's Scottish conference on Thursday. The vote there will not affect the final outcome. But defeat would be a nasty blow. It might happen. Scotland has produced most of the sharpest minds in the shadow cabinet. But the nationalists, not the Conservatives, are the enemy north of the border. Labour's Scottish activists do not have much time for an approach tailored to win votes in the English home counties.

The publication of Mr Blair's alternative statement will be another occasion for convulsion among the self-appointed guardians of the socialist flame. For those to whom rhetorical purity is more important than power, the expected absence from the new text of the two words "full employment" will be seen as further act of treachery. Public ownership will get a mention - but as a means to an end rather than an end in itself.

It is the internal opposition that has proved the worth of Mr Blair's enterprise. The debate has crystallised the reality that lost Labour four elections: the only future for a class-based party is in permanent opposition.

Mr Blair has prospered personally from the experience. The Bambi tag attached by his opponents always misread him. But Clause 4 has demonstrated publicly the toughness that made him his party's youngest leader. He has strengthened his grip on the shadow cabinet. His relationship with John Prescott, his traditionalist deputy, is not without occasional, explosive, incident. But Mr Prescott is loyal. Like Mr Blair, he wants to win.

So too does Robin Cook. The shadow foreign secretary is one of the brightest figures at

Westminster. He has an intellectual grasp of politics sadly lacking among too many colleagues. Mr Cook is to the left of Mr Blair. Initially, he considered the rewriting of Clause 4 a needless distraction. But he realised that, once started, the project could not be aborted. His public support has been crucial in winning over the worried left. His alternative draft was among the best submitted by members of the shadow cabinet.

The version that Mr Blair has crafted, by all accounts, is an uncontroversial document. It is longer than the original, covering instead a sheet of A4 paper. It starts with a short statement of fundamental values - a commitment to a united and prosperous society, to fair distribution of power, wealth and opportunity. Then, on four short sub-sections, it sets out the guiding principles for Labour's approach to the economy, society, democracy and the environment. Alongside the affirmation of selective public ownership is Mr Blair's promise to the nation's aspirant classes: Labour intends to nurture rather than suffocate the market economy.

It is hard to imagine how anyone in the party could object to such motherhood and apple pie. Many will. To counter the self-destructive posturing of the TGWU and its like, Mr Blair will be obliged next month to rely on the votes of more friendly unions. Therein lies his dilemma: the very act of disposing of one relic of a class-based past exposes the remaining anachronisms. The present distribution of power within the party, leaving 70 per cent of the votes with the unions and only 30 per cent for individual members, is as appropriate to the 1990s as common ownership of the means of production, distribution and exchange.

Rewriting Clause 4 will underline the strength of Mr Blair's leadership. He commands his party. For that reason alone it will make an important contribution to Labour's already strong election prospects. But extracting grudging assent is not quite the same as changing Labour's soul. The policies, of which so far we have heard nothing, will have to match the principles.

So too does Robin Cook. The shadow foreign secretary is one of the brightest figures at

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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### De La Rue's only motive was to inform market

From Mr J.J.S. Marshall.

Sir, While it is the Lex column's privilege to express opinions about how we formulated our trading statement on March 7, we feel we must express a concern about the implications which were reflected in the piece following publication of our statement (Lex: "De La Rue", March 8).

Much debate has taken place about how companies should communicate with the market, particularly in view of the influence which the analyst community and the press can have on institutional opinion. The Stock Exchange guidelines on this topic seek to give guidance on how quoted companies should deal with this sensitive issue, and the recently published Myners committee report has added its own weight to this subject.

The tone of current opinion and the legal implications enshrined in insider dealing legislation mean the onus is on companies to make the market immediately aware of changes in circumstances which have a bearing on either investor sentiment or analysts' earnings forecasts. The days of keeping the market in tune with internal forecasts through informal means are over. Transparency of information is called for and should be provided.

One can never predict accurately how markets will react to information and, in these nervous days, overreaction is always possible. However, the need to keep the market informed, and sometimes to remind investors, analysts and the media of what has been said previously, can lead to misinterpretation and a level of cynicism which betrays the value. I find that curious, but does it not undermine the claim that it forms part of an incentive package or an I, like the Commons committee, missing something?

Stephen Marshall, chief executive of British Gas, excusing earlier failure to mention his options package, asserting that it was impossible to give an estimate of its

### World Bank needs new debt programme charter

From Mr Karl A Ziegler.

Sir, Regarding your leader "A president for the World Bank" (March 1), given the bank's charter, its historical resistance to change and its as yet unfulfilled potential, a new set of criteria is needed to select leadership which could focus it towards a more constructive future.

One of the basic rules of sound banking is you do not lend new money in order to pay off debt on failed projects. In the absence of new income sources, the result is merely to compound problems and plunge the borrower into a cycle of ever larger - and unpayable - debt. This is particularly marked among governmental borrowers who have shown a consistent pattern of corruption and irresponsible financial stewardship.

Sadly, the World Bank feels obliged to lend more where other creditors and private investors fear to tread, probably to avoid the embarrassment of multiple client defaults. By the bank's charter it must demand full repayment even on failed project indebtedness, thereby pushing some of its poorest and worst administered debtor nations downwards into the pit of economic

perdition. Ultimately, the World Bank may be supervising not reconstruction and development, but national collapses and bankruptcy.

The key element would be accountability. Over a prolonged period, perhaps 20 years, national governments, which would be prepared to have their financial affairs audited by outside creditor-appointed professionals in every state-run ministry and entity, would be eligible for staggered or amortised debt forgiveness, particularly on failed project debt.

At any point, should a government choose to close its books to inspection, the then still outstanding, unamortised portion of debt could be reimposed.

Karl Ziegler, director, The Centre for Accountability and Debt Relief, 6 Broadbrook House, Studio Place, Elmerton Street, London SW1X 8EL, UK

### Poland needs less stick, more carrot from IMF

From Mr John Collins.

Sir, In highlighting the Polish experience of International Monetary Fund inspired reforms ("The long day's journey to market", March 7) some balance is required. It is by no means certain that the IMF-inspired reforms in their present form will prove economically successful or socially acceptable. Clearly, economic management failed and it has indeed left a dismal legacy.

Equally dismal is the legacy of IMF loans to communist governments in Poland in the 1970s which has left a very real burden of unpaid debt, which continues to hamper the Polish economy. It is as much the legacy of these loans as that of communism which necessitates the shock therapy which

has proved so electorally unpopular and politically destabilising.

It is said that half the Polish economy is now in private hands, which is remarkable as it cannot afford access to bank finance at 31 per cent rates of interest. As Polish entrepreneurs say, this is "kapitalizm bez kapitalu" - capitalism without capital.

The IMF-inspired crawling peg devaluation of the zloty is massively inflationary, nearly 100 per cent in the last three years. The story of the Polish economy is one of growth despite adversity. The IMF could try a little less stick and a lot more carrot.

John Collins, Zgodzieniec 1/22, Srodziesice, Warsaw, Poland

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FT94 Financial Technology: Effective Cost Management ISBN 1 85334 226 2

UK PRICE £215 US\$353

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JP 11/10/95



## FINANCIAL TIMES

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Friday March 10 1995

## The dollar, the yen and Japan

The only mistake as bad as not to learn from history is to apply the lesson at the wrong time. Scared by their experience of the bubble economy of the late 1980s, the Japanese monetary authorities are imposing an unnecessarily deflationary monetary policy. They are doing so because they fear ill-considered foreign-exchange intervention, on which they are right, and ill-timed monetary expansion, on which they are also right. Unfortunately, now is not the time to apply these lessons.

True, the damage that will be done by the strong yen can be exaggerated. This is not only because of the impressive ability of Japanese companies to cut costs, sustain exports and, in the last resort, shift production abroad, while sustaining jobs at home. It is also because exports account for only some 10 per cent of Japanese GDP, while competition from imports remains strikingly slow to develop in response to yen appreciation - this being, indeed, the persistent complaint of Japan's trading partners.

Japan's export diversification is another reason why dollar weakness does not matter as much as it used to do. By 1993, only 29 per cent of Japanese merchandise exports went to the US, down from 38 per cent in 1985. Over the same period, the share of Asian markets rose from 23 to 40 per cent. Moreover, the loss of Japan's competitiveness vis a vis its Asian partners is exaggerated by the nominal appreciation, since Japan has experienced virtually no inflation, while most of its Asian trading partners have suffered substantial price increases.

## Powerful lever

Finally, the high yen is arguably the most powerful lever for industrial restructuring and domestic deregulation. For all these reasons, the harmful effects of yen appreciation may not be that great. Nevertheless, there can be too much of this particular thing. The Japanese recovery is already feeble. It is quite possible that the 11 per cent appreciation of the yen against the dollar this year, added to the effects of the Kobe earthquake, will knock an already anaemic recovery on the head.

The point may be put another way round. The Japanese economy shows no consumer price

inflation; falling wholesale prices; nine months of declining bank lending; growth of broad money (M2, plus certificates of deposit) at only 8.1 per cent in the year to January; industrial output in January 10 per cent below its peak in 1991; and GDP in the third quarter of 1994 a mere 1.8 per cent above its level three years before. This is - to put the point mildly - not an economy in any danger from the inflationary tiger. Nor is there a hint of the bugbear of asset price inflation: the property market is moribund; and the Nikkei stock market index is not only 57 per cent below its all-time high, but has declined 15 per cent since the beginning of the year.

## Strongly positive

Japanese monetary policy is, in short, somewhat difficult to defend. True, the 1.75 per cent discount rate is an all-time low. But it is also strongly positive in real terms. Furthermore, since this rate was introduced, back in September 1993, one measure of the trade-weighted effective exchange rate has risen 12 per cent, while the rate against the dollar has appreciated around 16 per cent. This amounts to an utterly inappropriate tightening of monetary conditions. Despite their recent declines, even bond yields are slightly higher than they were in September 1993.

Japan needs a looser monetary policy, in its own domestic interests. It also could do with a weaker yen. The solution is aggressive intervention that is allowed to expand the money supply. There is, in principle, no reason why the Bank of Japan should not intervene almost without limit. If the yen is seriously overvalued, as many argue, intervention should prove a profitable speculation against the market.

It is easy to understand why the experience of the late 1980s should have scarred senior Japanese officials for life. Then they were indeed encouraged to pour fuel on the monetary blaze. But there is hardly as much as a spark today. The domestic case for monetary easing, partly via foreign-exchange intervention, is overwhelming. The Japanese authorities should not let their determination to avoid repeating a mistake lead them to persist in committing the opposite one.

## Reforming the regulators

Where should the UK go now in regulating its privatised utilities? That debate, simmering throughout the past decade of regulatory experience, has come to a head this week with the decision of Prof Stephen Littlechild, the electricity regulator, to reopen last summer's review of prices.

The regulation of telecommunications, gas, water and electricity can be credited with some success in holding down the prices charged by utilities to customers. But Prof Littlechild's action has drawn attention to some of the weaknesses of the model.

First, it exposes the regulator - a single individual - to intense political pressure. Prof Littlechild said that public concern was one factor prompting him to reopen a settlement which the industry regarded as fixed for five years. However, the creation of independent regulators at the time of privatisation was intended to depoliticise the regulation of utilities.

Second, Prof Littlechild's move has also shown the formidable barriers which regulators face in getting adequate information on the cost structures of the utilities in order to set the pricing formulae. A further reason for his action was the revelation by Northern Electric, one of the regional electricity companies, that it could afford to offer shareholders an extra 25 per share if they turned down a hostile takeover bid. Companies, which are the regulator's main source of information on the industry's potential profitability, clearly have an incentive to overstate costs and understate demand as the pricing review draws near.

## Framework weakened

Although Prof Littlechild's action has weakened the regulatory framework, there is no need to abandon it entirely. It would be undesirable for regulatory principles to evolve largely through prolonged legal challenges to the regulators' judgments. Several steps now need to be taken to improve the framework's credibility and effectiveness.

First, the UK should consider adopting a small panel of regulators for each industry. This would reduce the isolation regulators now suffer, and would make decisions appear less dependent on the whims of any one individual. In

doing so, the UK would take a desirable step towards the US model of regulatory commissions, robustly and visibly independent of government.

Second, the occasions when a regulator may change price formulae between reviews needs clarification. The most obvious such occasion would be when companies have misled the regulators. When a *prima facie* case can be made, regulators could be allowed to appeal to another body - probably the Monopolies and Mergers Commission - for the right to change their determination, which would also give utilities a greater incentive to be honest.

## Inconsistent methods

Third, regulators should agree to work from a common set of rules, where appropriate. The credibility of the regulatory system gains nothing from the inconsistent methods used to reach pricing decisions. In particular, regulators have used different methods to calculate the cost of capital and to define the capital on which returns are calculated. Definitions of depreciation might also benefit from an agreed approach.

Fourth, regulators should publish more fully the reasons for their decisions, in a form which exposes them to challenge. They should not be squeamish, on grounds of commercial confidentiality, from publishing more financial details of the utilities than appear in annual reports. Another way to increase the transparency of regulators' actions would be to scrutinise them through a parliamentary select committee on the utilities, although the value of forcing regulators to justify their decisions before the people's elected representatives should not be allowed to reintroduce arbitrary political interference.

The case for some such changes is now very strong. This is not because either privatisation or the UK's basic regulatory model has failed. On the contrary, change is needed to strengthen the legitimacy of the model and remedy its more obvious weaknesses. If the electricity imbroglio leads to sensible reforms of this kind, it will not prove quite as damaging as it looks at the moment.

Mr Wily Claes, the beleaguered secretary-general of Nato, remarked last month that radical Islam posed "at least as dangerous" a threat to the Western alliance as communism had until the end of the cold war. He was speaking almost exactly 900 years after Pope Urban II launched the First Crusade, and opened the way in centuries of conflict between Christian and Moslem.

Growing volumes of Western commentary on "Islamic fundamentalism", often redolent of the cold war and the Crusades, conjure up the spectre of an Islamic green stain starting from Iran, and spreading up to Central Asia, down through the Middle East and across North Africa.

The image is compelling on a TV screen or newspaper graphic, a visual gift to domino theorists. It is also useful for Arab and North African regimes threatened by revolt, and on the look-out for financial and military aid from a frightened West to tighten their grip on power. But it blurs the political shades within the Islamic revival.

Iran, because of its attempts to export its 1979 Islamic revolution, provided the original fundamentalist bogey. More recently, the 1989 military coup in Sudan brought a government ideologically nurtured by Mr Hassan al-Turabi's Islamic National Front. And in 1992, Algeria collapsed into a savage civil war, with the military-backed government barely able to hold out against Islamic militants.

Ostensibly Islam-inspired militancy provides daily, often chilling, incident: the sudden emergence in Afghanistan of the Taliban, a movement of fundamentalist theology students, sweeping irresistibly to the gates of Kabul; or the suicide bombers launched against Israel by Hamas and Islamic Jihad, groups in the occupied territories that are copying the tactics of the Iran-inspired Hizbollah in Lebanon.

"Yes, we are using the methods that forced the Israelis to leave Lebanon," acknowledges Dr Mahmoud Zahhar, a Hamas leader in Gaza, the strip of land upon which Mr Yasser Arafat's secular Palestine Liberation Organisation (PLO) is struggling to found an embryonic Palestinian state. Dr Zahhar, professor of medicine at Gaza's Islamic University, the finishing-school for scores of Hamas cadres, says: "Our strategy is to establish a pan-Islamic state - everywhere, not just in Palestine."

The charter setting up Hamas in 1982, in common with many fundamentalist texts, flatly rejects "the Communist east and the Crusader west". If forced to choose between dictatorship and democracy, "of course, we prefer democracy," says Dr Zahhar. But "your society is flooded with injustice and corruption; you cannot be our model".

There is, undoubtedly, a threat from politically able and ruthless theocratic groups intent on power. But there is, so far, no agreed strategy for dealing with the far wider phenomenon of political Islam as a channel for popular grievance at the failures of Middle Eastern development, and the lack of legitimacy of most of the regimes presiding over these failures.

The core of the Islamist argument is that existing institutions, imposed by colonial powers, are now administered by corrupt and brutal elites in their own interest, while the mass of people go hungry and are engulfed by alien values. State socialism has failed in countries such as Syria, Egypt under Nasser, and Algeria. Attempts to catch up by capitalist development have created dislocation and inequity, leaving an ideological vacuum in which radical Islam flourishes.

Algeria illustrates these well. The now displaced National Liberation Front government, which derived its legitimacy from success in the war of independence against France, frittered away oil and gas wealth and sank into corruption and autocracy. When it called elections in December 1991, the Islamic Salvation Front (FIS) looked poised for victory, leading to the cancella-

tion of the second round in January 1992 - the trigger for war.

The governments of Egypt, Jordan and Syria also discredited the cause of secular, pan-Arab nationalism by their defeat and heavy loss of territory in the Six Day war against Israel in 1967. That disaster enabled the Islamists gradually to appropriate the banners of nationalism, and paint their increasingly power-oriented ideology as a liberation theology.

All three countries have seen surges of support for the Muslim Brotherhood, or *Ikhwan al-Muslimum*, the original "fundamentalist" group founded in Egypt in 1928, of which Hamas is a Palestinian offshoot. But they have dealt with this recharged fundamental-

## From guns to soup kitchens

David Gardner looks at different shades of Islamic fundamentalism and how leaders of Arab countries are responding



Faces of fundamentalism: a Hamas fighter in Gaza (left) and a Cairo demonstrator typify the support for militancy

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ism in very different ways.

In Syria, the Baathist regime militarily crushed a Brotherhood insurgency in 1982, with the loss of possibly 20,000 lives. Seven years later, King Hussein of Jordan took the gamble of letting the Brotherhood stand for election, in which they outperformed all predictions by winning more than a quarter of the seats.

In Egypt, the Brotherhood, formally banned since 1954, has survived repression alternating with periods of government toleration. But now the *Ikhwan* has been reorganising to fight general elections due in November, leading president Hosni Mubarak's government to jail 28 of the Brotherhood's leadership. Simultaneously, Mr Mubarak faces

a low-level but persistent insurgency from the more radical *Gama'a al-Islamiya*. He is meeting the challenge with what he calls "an iron fist", filling Egypt's jails with *Gama'a* sympathisers from the Upper Nile valley and Cairo's teeming slums.

The government accuses the Egyptian Brotherhood of being, in effect, the civilian wing of the militant *Gama'a*. Mr Mohamed el-Maamoun al-Hodeibi, the Brotherhood's spokesman, scornfully points out: "We've been around for 67 years; while the radicals 'appeared' when most of us were in jail, echoing the widely-held belief that repression of the mainstream is the cause of the violent minorities."

Egypt is in many respects a test case of how to contain the Islamic revival, and would be the greatest prize for the fundamentalists. Although there is no immediate threat to the regime from the fragmented *Gama'a*, Mr Mubarak looks defensive against the Brotherhood.

More than a state within the state, the *Ikhwan* is a society within society, providing services ranging from sewers in supermarkets and soup kitchens, financed in the past by Saudi money but now mostly through collection of the *zakat* or Islamic alms. After Cairo's earthquake two years ago, it was the Brothers who provided the quickest and most effective relief.

As well as welfare, they control patronage, through Islamic publishing houses and banks, and valuable endorsements for hundreds of thousands of Egyptians seeking work in the religiously conservative Gulf. They also lead influential professional unions of lawyers, doctors and engineers.

Close observers of Egypt depict, by contrast, a tired regime of old faces and few new ideas, lukewarm about structural economic reform through fear of upheaval and lost patronage. The leading Arab jour-

nalist and former Nasser intimate Mr Mohamed Heikal recently said that Egypt had come to a crossroads, and needed a new social pact, including free and open elections.

Mr Said Ashmawi, a writer on Islam and until 18 months ago Egypt's chief justice, says: "The government is very weak and corrupt, and incapable of leading the country. The government is dealing with this as though it were a criminal phenomenon. It's not. It's an ideology, and we have to respond to it by looking for social justice." Heavily guarded after death threats from Islamic militants, Mr Ashmawi claims that "the Algerian scenario could be copied in Egypt within five to 10 years".

'Egypt, of course, is the heart of the matter: if it falls to the Islamists, it will have a domino effect'

Mr Mohamed Sid Ahmed, a distinguished Egyptian commentator, says: "The regime fears that the FIS will take over [in Algeria], and that with Turabi in Sudan, and Hamas entrenched in Gaza, it will be cornered." Mr Ziad Abu Amr, a Palestinian authority on fundamentalism at Bir Zeit university, on the West Bank, says: "Egypt, of course, is the heart of the matter: if it falls to the Islamists, it will have a domino effect." Nevertheless, he argues that "Egypt can't do it the Syrian way".

The US and its western allies would appear to differ. They have backed Algeria's and Cairo's implacable response to resurgent Islam, and the suppression of the moderate Islamist strain in Tunisia too. Last week, the International Mono-

etary Fund signed a letter of intent for a three-year, \$1.5bn extended fund facility with Algeria after only 10 days of negotiations. This appears to put paid to suggestions that further western financing should be conditional on the government negotiating a transition to democracy, on the basis of the platform recently agreed by the secular and Islamic Algerian opposition.

But there is also the Jordanian way and, so far, it works. King Hussein brought the Brotherhood into parliament, giving it enough responsibility to show if there is substance to its mantra that "Islam is the solution". Voters thought not and threw many of them out at the next election in 1993. Mr Abu Amr, no fan of King Hussein's, says "he handled this well, engaging these people and holding them accountable, and getting them used to pluralistic politics".

The Egyptian government fears opening to the mainstream Brotherhood could lead to an Algerian-scale conflict. "What's happening in Algeria is awesome," says Mr Osama el-Baz, Mr Mubarak's political adviser. Co-optation "will only work if you fill the political vacuum and the Islamist problem is not bigger than you think it is," says another senior government official. "If you still have the vacuum, then they will fill it for you," he warns, adding that "the test for Jordan will be when the king leaves the stage".

Yet the Brotherhood is signalling that it wants to enter democratic politics. It has recently accepted the principle of a written constitution for Egypt, protecting all citizens irrespective of belief, and announced its desire to take part in this year's elections.

And fundamentalist Islam, in spite of its rigid veneer, has from early Moslem times proved strikingly flexible in its ability to ally with those who have more temporal aims, in part because Islam does not separate church and state. The new fundamentalists "are dynamic and flexible," says Mr Abu Amr. "Nothing is foreclosed as long as intermediate objectives are consistent with long-term goals. We are not talking about dogma with most of these groups." Hamas, for instance, appears to be aiming at some form of power-sharing agreement in junior partnership with the PLO, even as it steps up its attacks on the continuing Israeli occupation.

Whether to attempt accommodation with such people depends on fine calculations, such as how permanent a phenomenon fundamentalism is and whether it is internationally co-ordinated. Arguing for accommodation, Mr Abu Amr states that "this is not a transient phenomenon. It has become institutionalised in Arab societies. It's here to stay." Mr el-Baz argues that "this is not an ordinary situation; it is extraordinary. But it is transient." Yet even he says "it will last a decade or two".

The Brotherhood is the nearest to an "international" Islamic movement has. But beyond pan-Islamic conventions, - held recently in London, Rome and Stockholm - there is little evidence of strategic co-ordination. "We don't have such a thing as pan-Islamic fundamentalism," says Mr Yehoyada Haim, head of the Israeli foreign ministry research department. "It's local. The danger is Iran's wish to be godfather of it all."

But ultimately, the calculation depends on the political self-confidence of Arab rulers, seemingly in short supply. In the critical case of Egypt, however, the government has at its disposal a vigorous civil society and institutions. Instead of mobilising these in a democratic contest, Mr Mubarak is relying now on supports such as the 1,000-year old, government-financed al-Azhar Islamic university, which, as one diplomat puts it, "puts an even more conservative spin on the Koran than the fundamentalists".

Such a strategy, of trying to outflank the Islamists by pandering to the popular sentiment they are aiming at, looks more likely to advance a creeping theocracy.

## OBSERVER

## Security in numbers

■ For now, Nato's 16 member states are sticking solidly by Willy Claes. The secretary-general maintains that he bears no responsibility in the increasingly ugly affair of alleged kickbacks to the Belgian Socialist party from Italian and possibly French arms manufacturers. He is believed - even more so since his recent Washington trip, where he met, and was endorsed by, everybody who mattered.

But just supposing it did become necessary for Nato to look for a new secretary-general, the Americans would clearly not want in risk another mistake. Last autumn's choice of Claes - a left-winger with a record of opposing US nuclear missiles - did not thrill Washington, but the US thought it best not to object to a candidate who seemed to have the Europeans' approval.

Next time, the Americans would insist on a figure of unquestioned distinction and impeccable Atlanticist credentials. Recent high office in an important allied nation would be highly desirable. Hence last week's chit-chat - dismissed in Bonn as "pure speculation" - focused on Volker Rühle, the German defence minister. He shares US enthusiasm for Nato enlargement - though, with General Klaus Naumann heading

Nato's military committee next year, the alliance would then be a terribly Teutonic place.

Uffe Ellemann-Jensen, meanwhile, the Danish Liberal party leader and ex-foreign minister, would probably have got the Nato job last time if he had not been busy fighting an election. Denmark's conservatives - rivals of the liberals within the opposition bloc - have paid him the ambiguous compliment of lobbying for his elevation to Nato.

The respected Dane would have every chance of winning Washington's confidence. Still better would be some top-ranking Briton who was tired of Euro-bickering at home and was ready to tread the international stage. For the time being, that is but the faintest twinkle in American eyes.

## World speech day

■ The organisers of the Copenhagen summit on social development have set themselves a tough task. They have ordered the 130 or so heads of state in limit their closing speeches in no more than seven minutes each.

Even in the unlikely event that the seven minute rule is observed, it still leaves more than 15 hours of non-stop speeches. Fortunately for the Danes, South Africa is sending President Mandela rather than Chief Mangosuthu Buthelez who can go on for days.

Nevertheless, it raises the question of how one stops a head of state, like Fidel Castro, in full flow. Handle it badly and it could cause a diplomatic incident. No wonder Fidel has been put next to Denmark's Queen Margrethe II at the formal dinner on Saturday night. No one will be able to complain about his cigar smoke since the Queen is a notorious chain smoker.

## Pyramid sell

■ The housing problem to Cairo worsens daily - housing the dead that is. The cemeteries are chock-a-block so that fixing up a suitable resting place now costs around £260,000 (about \$18,000). You would pay no more for a 120 sq m apartment in a none-to-salubrious part of town. Even a bargain basement tomb costs £28,000 - about three-and-a-half years' wages. The only free accommodation in the cemeteries is for the quick, not the dead - a loophole being vigorously exploited by Cairo's homeless.

## Non-fitting cap

■ In spite of the best efforts of Brazil's new president Fernando Henrique Cardoso to modernise the government, congress seems to be mighty slow to take the hint. The senate has just approved, by a comfortable majority, one of the

more foolish clauses lurking in the country's 1988 constitution - namely to cap annual real interest rates at 12 per cent.

A hopeless notion at the best of times, it is a target made doubly elusive because of Brazil's chaotic assortment of inflation indicators. Calculating "real" interest rates is a near impossibility in the first place.

## Return ticket

■ So Barclays Bank is finally heading back in South Africa after a 10-year gap. It should never have left, but that is another story. It has got the go-ahead to establish a banking operation, and opens in Johannesburg next month.

It will concentrate on cross-border trade finance, corporate banking and servicing multinational clients with South African interests. As an international bank with big interests in the rest of the African continent it has to be in South Africa if it wants to capture the trade flows.

It does not seem interested in rebuilding its retail banking franchise, in spite of the power of the Barclays name.

## BarING bride

■ Some marriages may be made in heaven. But the shotgun variety obviously emanates from Singapore.

## Financial Times

## 50 years ago

US shortage of whisky Distillers say that the whisky shortage in retail stores within a few months is likely to become as great as the drought in the first half of 1944, when all aged brands all but disappeared, and even blended rye and other whiskies moved under the counter for sale only to favourite customers. The prospective shortage is due to the big increase in demand for alcohol for production of power and synthetic rubber.

Barver Cars (advertisement) Whatever form the future Rover cars may take, the immediate post-war models will be very like those of 1940. We shall hold tight to the proven excellence of the past, while examining the prospects which lie ahead.

Optimism about bicycles Chairman of the Raleigh Cycle Company, Sir Harold Bowden, takes a difficult view of the transition period, but is extremely confident as to the company's post-war export trading.

The Financial Times was not published on Sunday March 10 1995



# Nintendo, Sega accused of inflating UK prices

# Sinn Féin

## Yen's rise forces up computer chip prices

## IMF and Yeltsin to finalise \$6.4bn loan

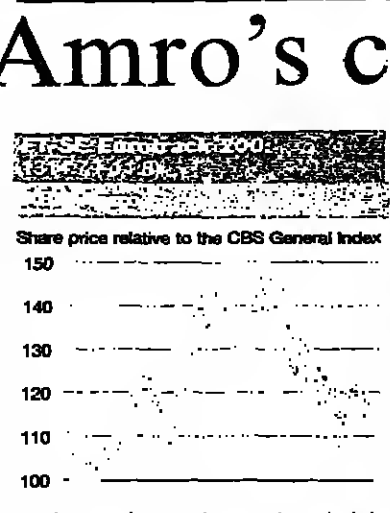
## Yeltsin to 6.4bn loan

# MFS deal defies Deutsche Telekom monopoly

## THE LEX COLUMN

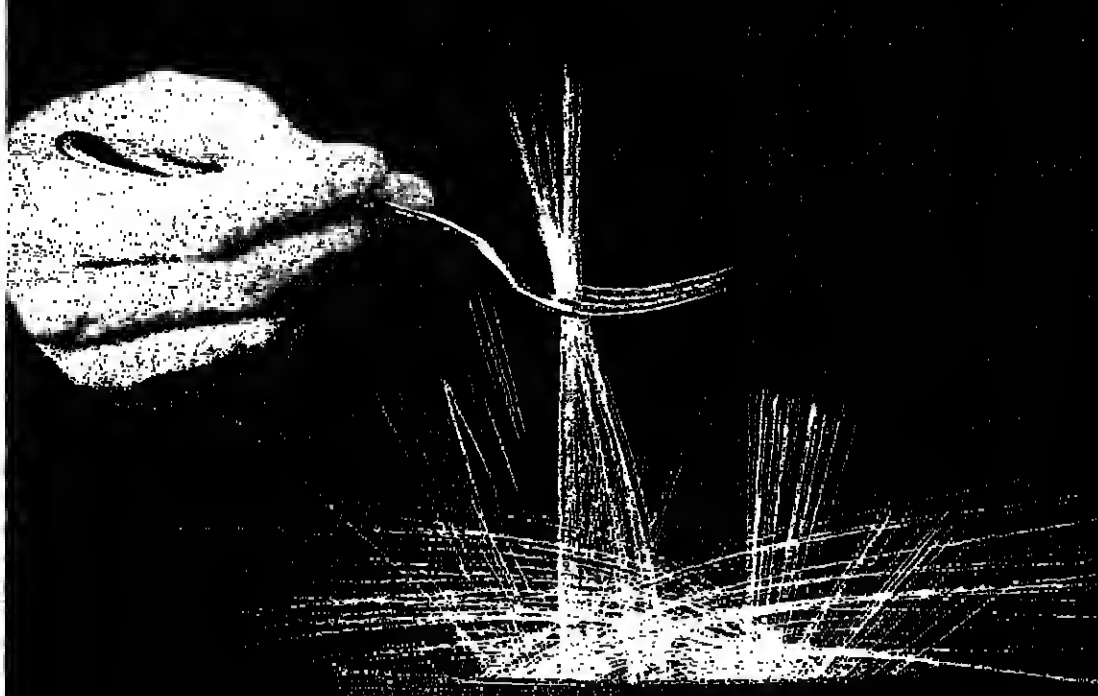
# ABN Amro's courage

## THE LEX COLUMN



## Barings inquiry

WE'RE SATISFYING  
THE WORLD'S APPETITE  
FOR FIBRE.

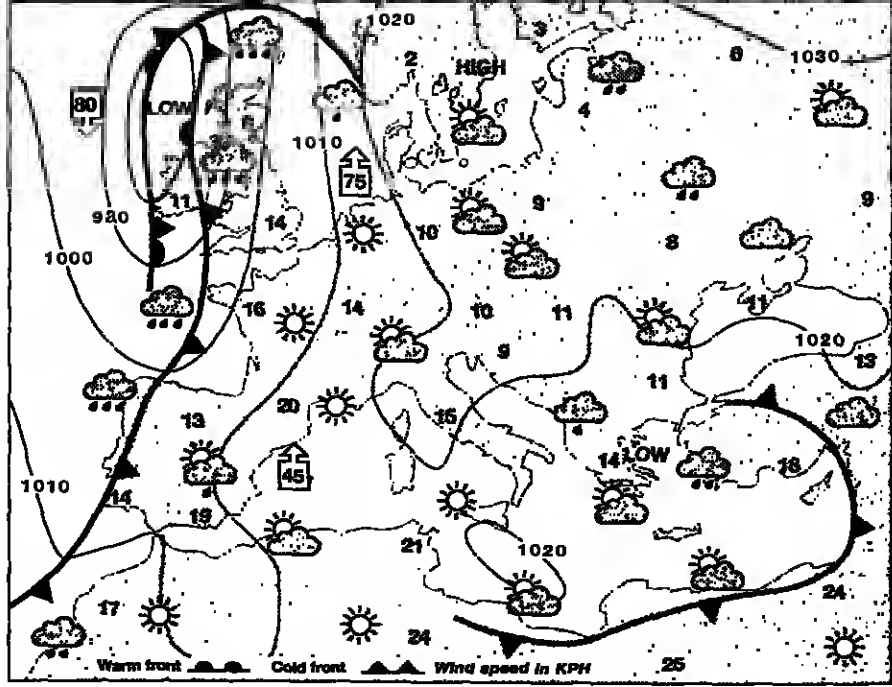


## FT WEATHER GUIDE

## Europe today

### Five-day forecast

100



TODAY'S TEMPERATURES				
	Maximum			
	Celsius			
Aoi Dhabi	sun 27	Beijing	cloudy	
Accra	cloudy 34	Belfast	rain	
Algiers	fair 21	Bergrade	cloudy	
Amsterdam	sun 11	Bermuda	fair	
Athens	sun 15	Bogota	cloudy	
Atlanta	sun 18	Bombay	sun	
E. Africa	sun 35	Brussels	fair	
S. Iran	cloudy 12	Budapest	sun	
Bangkok	fair 35	Chengai	fair	
Barcelona	fair 15	Cairo	sun	
		Cala Town	sun	

We can't change the weather. But we can  
always take you where you want to go.

# Lufthansa

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[illegible]

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**Abstract**

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26



## Crédit Lyonnais may delay results

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**Companies in this issue**

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## INTERNATIONAL COMPANIES AND FINANCE

## NEWS DIGEST

## Outokumpu shrugs off flat sales to lift earnings four-fold

Outokumpu, the Finnish mining and metals group, yesterday reported a four-fold increase in profits before taxes and extraordinary items in 1994, to Fm1.02bn (\$234m) from Fm228m in 1993. The improvement came in spite of static sales, writes Hugh Carnegie in Stockholm.

Group turnover was up less than 1 per cent, at Fm16.7bn from Fm16.6bn, but Outokumpu said the underlying increase was 9 per cent when the divestment of several businesses during the year were taken into account.

Operating profit moved up to Fm1.06bn from Fm252m because of a fall in the cost of sales and other operating expenses. However, the biggest boost to the bottom line came from a Fm226m exchange rate gain, after a Fm20m loss in 1993, and the near-halving of other financial costs to Fm308m from Fm604m as a result of lower borrowing costs.

The annual dividend was set at Fm1 a share, after no payout last year.

Outokumpu said the outlook at the beginning of 1995 was favourable, as growing investment activity in Europe - its chief market - and strong demand for metals and metals products promised further improvements in profitability. It warned, however, that the recent fall in the value of the dollar and a strengthening of the Finnish markka hit its financial prospects. Low zinc prices, meanwhile, clouded the otherwise positive outlook for the base metals division.

Nevertheless, the group said it expected continued strong results from its stainless steel division, its biggest profit-maker, which produced operating profits last year of Fm909m compared with Fm844m, on sales of Fm4.4bn. It also anticipated stronger profits from the copper division, its biggest unit.

## Pfaff back in black after three years

G. M. Pfaff, the German sewing machine maker, has returned to the black for the first time in three years with profits of DM10.2m (\$7.4m) in 1994, writes Frederick Stüdemann in Berlin.

However, group turnover for the year dropped to DM785.4m from DM887.4m in 1993. The company blamed the fall on exchange rate related losses and the disposal of loss-making activities.

The improvement in earnings came from job cuts and the shifting of production out of Germany. Pfaff, which is majority-owned by Semi-Tech of Hong Kong, has set up manufacturing operations in China and Russia and plans to expand its activities in Vietnam, India and Brazil.

## Schering proposes increased payout

Schering, the German pharmaceuticals company, will pay an increased dividend of DM15.50 a share following a DM24m rise in profits last year, the company said yesterday, writes Frederick Stüdemann.

The company had profits of DM206m last year, and will present its proposal to lift the dividend to more than DM15 from DM14.22 to shareholders in May.

## German lender takes over regional bank

Deutsche Genossenschaftsbank, a German co-operative mortgage bank, is to take over the Schleswig-Holsteinische Landschaft, a bank based in northern Germany, writes Frederick Stüdemann.

The takeover makes the Hamburg-based DG Hyp one of Germany's largest private mortgage banks, with total assets of DM35bn.

SHL, which is based in Kiel, had assets of DM11bn before the takeover. SHL, which has 100 employees, will continue to run its predominantly regional construction and municipal financing activities independently.

SHL will eventually take on DG Hyp's personal customer mortgage business in the state of Schleswig-Holstein. Commercial and agricultural mortgage activities will, however, continue to be split between DG Hyp and SHL.

The takeover was initially proposed by DG Hyp in June last year. To make the deal legally possible, SHL had to be converted from a public bank into a joint stock company.

## Rheinmetall on course to break even this year

Rheinmetall

Share price (DM)

400

350

300

250

Source: Outokumpu

1994

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Source: Outokumpu

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Source: Outokumpu

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## Lehman Bros sued over derivatives deal

By Maggie Urry  
in New York

A \$128m counter-suit against Lehman Brothers was filed yesterday by China National Metals & Minerals Import and Export Corporation (Minmetals) alleging the US investment bank staff lured a young, inexperienced trader into unauthorised derivative deals which lost Minmetals millions of dollars.

The claim breaks down into \$88m of losses and \$100m of punitive damages.

Lehman dismissed the allegations as "absolute fiction". Lehman sued Minmetals last November for \$58m it claimed it was owed after Minmetals lost money, mainly on foreign exchange transactions.

The legal battle follows other recent examples of entities - including Gibson Greetings, Procter & Gamble, and Orange County, California - losing money in derivatives and suing the banks they dealt with.

It also represents an unusually aggressive move by a Chinese company, and follows an

"amicable settlement" last week of another dispute between Lehman and China International Trade and Investment Corporation (Citic) over losses made on the London Metals Exchange.

The Minmetals claim alleges Lehman enticed a trader to execute deals worth substantially more than the company's capital, without "even a perfunctory effort to determine whether Minmetals was creditworthy for such a substantial line of credit". It alleges the trader was persuaded to get

involved in exotic derivatives deals which he could not understand, and was told these were "risk-free".

Lehman said yesterday it had a letter of undertaking signed by senior people at Minmetals authorising the trading. The company had been successfully executing trades for years, Lehman said.

The notion that Minmetals had been lured into exotic derivatives transactions was also untrue, Lehman said. Of the \$53m in losses which Lehman is claiming, \$7m is alleged

to have come from two interest rate swaps and the remainder from ordinary foreign exchange deals.

Minmetals claims that Lehman persuaded the trader to deal in currencies which were irrelevant to Minmetals' activities in international metals trading, such as the Yen, Spanish peseta, Swedish krona, Lira, Swiss franc and D-Mark.

Lehman said that it was not its responsibility to determine which currencies Minmetals should be dealing in.

## Sharp fall at Uni Storebrand blamed on market volatility

By Karen Fossli  
in Oslo

Uni Storebrand, Norway's largest insurance group, yesterday disclosed a sharp reduction in 1994 full-year pre-tax profits, to Nkr522m (\$4.65m) from Nkr1.4bn in the previous year.

Uni blamed the decline on a fall in financial income as a result of turbulence on capital markets and strong fluctuations in interest rate levels. However, the result was better than the Nkr385m average of analysts' forecasts.

Group net premium income rose to Nkr14.41bn from Nkr13.67bn, but financial income tumbled 46.1 per cent to Nkr5.27bn.

The group also incurred costs of Nkr117m associated

with the demerger of its international reinsurance business, for which a secondary offering of 90 per cent of the shares is to be made.

Uni shareholders will be given preferential rights of subscription in April, once the scheme is approved by the finance ministry. The Oslo bourse has approved a listing for the unit, which cut 1994 losses to Nkr3.44m from Nkr357m in the previous year.

Group operating costs were reduced by Nkr280m to Nkr3.47bn. Uni proposes omitting the dividend for ordinary shares, after paying Nkr0.20 in 1993. It cut the payout for preferential shares to Nkr0.80 from Nkr1.10.

The company blamed the "special" situation in the financial markets last year for a

steep fall in operating profit for the life insurance business, of Nkr3.49bn to Nkr1.92bn, before allocations to customers. Following this, Nkr459m was left as contributions to 1994 accounts and taxes, and to strengthen equity.

The unit suffered realised losses and write-downs of Nkr180m on securities in 1994, against gains of Nkr2.28bn in 1993. Aggregate premiums rose 28 per cent to Nkr5.7bn, as market share rose 1.1 percentage points to 29.9 per cent.

Non-life business reported a fall in operating profits, to Nkr712m from Nkr1.16bn, as losses and write-downs on securities hit Nkr181m against gains of Nkr499m.

Premiums written for own account rose 10 per cent to Nkr6.91bn.

## DTB extends trading hours after hectic day

By Andrew Fisher  
in Frankfurt and Conner  
Middelmann in London

The German Futures and Options Exchange (DTB) said hectic and high volume dealings yesterday, as a result of a sharp drop in share prices in the underlying stock market, had led it to extend trading hours. However, it denied reports that some traders had failed to meet margin calls.

There had been rumours that S.G. Warburg was having difficulty meeting its margin obligations on DTB. However, the bank denied it was having any problems meeting obligations on the DTB in Frankfurt or on any other exchanges.

The DTB prolonged trading by an hour, after asking traders if they wanted the extension. It was not the first time

high dealing volume had encouraged such a move, and DTB intends to extend trading hours from May 22.

It said all normal margin requirements had been fulfilled, and that no margin calls had been made. The stock market fell 1 per cent, or 23.57 points, to 2,001.64 yesterday (based on the DAX 30-share index) after earlier rising by some 15 points. Currency turmoil unsettled the market and cast doubt on the foreign earnings prospects of car and chemicals companies, among others.

Dealers said foreign investors had been tempted to sell shares and realise currency profits on the stronger D-Mark. Among the day's heavy losers were shares of Daimler-Benz, Volkswagen, BMW, Thyssen, Hoechst and IAN. Capital Markets, Page 34



## LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

(Registration number 57/02788/06)  
(Incorporated in the Republic of South Africa)

## AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 1994

## A. Summarised Group income statement

	1994 UK£m*	1994 Rm	1993 Rm	% change
Net premium income and annuity considerations	2 071.0	11 473.3	10 649.5	
- Liberty Life	944.6	5 233.3	4 029.3	+29.9
- Sun Life Corporation	1 126.4	6 240.0	6 620.2	-5.7
Net income from investments	868.2	4 809.2	3 599.2	+23.3
Total income	2 939.1	16 282.5	14 248.7	+11.9
Underlying net taxed surplus (including equity accounted earnings)	137.5	761.8	638.8	
Net taxed surplus (excluding equity accounted earnings)	182.1	865.4	441.8	+28.0
Number of ordinary shares in issue (000's)	238 126	238 126	233 199	
Number of ordinary shares on which net taxed surplus per share is based (000's)	235 569	235 569	230 077	
	Pence	Cents	Cents	
Underlying net taxed surplus per ordinary share, including equity accounted earnings	58.4	323.3	277.6	
Net taxed surplus per ordinary share, excluding equity accounted earnings	43.3	250.0	192.0	+25.0
Dividends per ordinary share, cash equivalent				
- Interim (paid 7 October 1994)	17.3	96.0	80.0	+20.0
- Final (payable 7 April 1995)	19.5	108.0	84.0	+28.6
Total dividends	36.8	204.0	164.0	+24.4

\*Converted at the Commercial Rand rate of exchange at 31 December 1994: UK£1 = R5.54.

## C. Notes

1. Proportionate Consolidation of Sun Life Corporation plc  
In accordance with the practice adopted in 1993 and as a result of the international accounting standard adopted by The South African Institute of Chartered Accountants regarding accounting for interests in joint ventures, and in view of the importance of The Liberty Life Group's 50% joint controlling interest in Sun Life Corporation plc, held through our United Kingdom subsidiary TransAtlantic Holdings PLC, the consolidated financial statements of Liberty Life for the 1994 financial year have again been prepared on a basis whereby our 50% interest in Sun Life has been proportionately consolidated. The effect of this method of accounting is to include in the consolidated financial statements of Liberty Life our 50% attributable share of Sun Life's assets, liabilities and income statement items which reflect our combined life insurance business both in South Africa through Liberty Life, and our economic interest in the United Kingdom life insurance industry through Sun Life.

## 2. Bonds convertible into Group equity capital

Convertible bonds comprise the funds raised in 1994 pursuant to the following capital raising transactions:

- The issue by TransAtlantic Holdings on 23 February 1994 of £250 million (R1.4 billion) 5 1/4% Subordinated Convertible Bonds convertible at 505p per share into 49.5 million ordinary shares in TransAtlantic Holdings. These Bonds are fixed for 15 years and mature on 30 April 2009.
- The issue by a wholly-owned subsidiary of Liberty Life on 21 July 1994 of \$320 million (R1.1 billion) 6 1/2% Convertible Bonds convertible at \$33.04 (Commercial Rand equivalent R84.79) per share into 13.9 million ordinary shares in Liberty Life. These Bonds are fixed for 10 years and mature on 30 September 2004.

The convertible bonds are expected ultimately to be converted into ordinary shares of TransAtlantic Holdings and Liberty Life respectively, thereby increasing the total shareholders' capital and reserves of The Liberty Life Group which include minority shareholders' interests relating to TransAtlantic Holdings.

On behalf of the board  
D Gordon (Chairman)  
A Romanis (Managing Director)  
Johannesburg  
6 March 1995

South African transfer secretaries  
Mercantile Registrars Limited  
6th Floor, 94 President Street  
Johannesburg, 2001  
PO Box 1053  
Johannesburg, 2000

United Kingdom transfer secretaries  
Barclays Registrars  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## 3. Interests in associated companies

	1994 UK£m*	Per- centage held	1994 Rm	1993 Rm
44 555 834 ordinary shares in Standard Bank Investment Corporation Limited	943.7	37.3%	5 217.0	4 688.7
Direct and indirect interest in The South African Breweries Limited	948.7		5 255.9	4 999.7
25 636 258 ordinary shares in Beverage & Consumer Industries Holdings Limited	886.5	35.5%	3 249.4	2 952.7
14 178 277 ordinary shares in The South African Breweries Limited	246.3	5.1%	1 364.7	1 431.2
6 668 029 convertible preference shares in The South African Breweries Limited	115.9	18.5%	641.8	615.8
233 537 170 ordinary shares in The Premier Group Limited	219.2	28.2%	1 214.4	1 535.0
	2 109.6		11 687.3	11 223.4

## 4. Group Chairman's statement

Further details of the activities of Liberty Life and its subsidiaries are contained in the Liberty Life Group Chairman's statement for 1994 which is being issued simultaneously with this announcement.

## 5. Capitalisation share award and right of election to receive a final cash dividend of 108 cents per share

As previously announced in February 1995 the directors have awarded capitalisation shares to ordinary shareholders of Liberty Life who were registered in the books of the company at the close of business on Friday, 24 February 1995 in the ratio of 1.33 new fully paid ordinary shares of 10 cents each in Liberty Life for every 100 ordinary shares held ("the capitalisation shares"). Shareholders are entitled, and will be given the opportunity, to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive a final cash dividend in respect of the year ended 31 December 1994 of 108 cents per ordinary share ("the election"). Documentation dealing with the capitalisation share award and a final cash dividend election was posted to shareholders on Thursday, 2 March 1995. In order to be valid, completed election forms will need to be received by the company's transfer secretaries by no later than Friday 24 March 1995.

This announcement appears as a matter of record only.

February, 1995

## INDUSTRIVÄRDEN

US \$175,000,000  
Revolving Credit Facility

Jointly Arranged by

THE FUJI BANK, LIMITED

Handelsbanken Markets

Lead Managers

ABN AMRO Bank N.V. Stockholm Branch

Banque Paribas

Bayertische Landesbank Girozentrale

Den Danske Bank

The Fuji Bank, Limited

Landesbank Schleswig-Holstein Girozentrale

Midland Bank plc

Nordbanken

The Sumitomo Bank, Limited

Svenska Handelsbanken

Division Handelsbanken Markets

Managers

Banca Popolare di Milano, London Branch

Banque et Caisse d'Epargne de l'Etat, Luxembourg

Barclays Bank PLC

Crédit Lyonnais, Sweden

Kreditbank N.V. Dublin Branch

The Yasuda Trust & Banking Co., Ltd.

Hambros Bank Limited

WestLB Group

Agent

Handelsbanken Markets



Anglo American Industrial Corporation Limited

## AMIC

Abridged Statement by the Chairman Mr Leslie Boyd, results and notice of ordinary dividend for the year ended 31 December 1994

## HIGHLIGHTS

- Turnover up 12% to R7.1 billion
- Attributable earnings up 17% to R700 million for the first time
- Earnings per share of 1.103 cents up 50%
- Dividend of 45 cents up 20%
- Prospects for further significant increase in earnings in 1995

Assisted by the general upsurge in business activity in South Africa and a marked improvement in world trade, Amic further increased its earnings in 1994 by 64 per cent to R715 million. Earnings per share, reflecting the greater number of shares in issue, were 50 per cent higher at 1.108 cents. Having declared an interim dividend of 132 cents in cash, the board again decided to award capitalisation shares in respect of the final results. Members may, however, decline the award and elect to receive a final dividend of 318 cents per share. Our major shareholders have indicated their intention to accept the capitalisation shares. The total dividend has increased from 375 cents to 450 cents per share, and dividend cover has been raised from 1.9 to 2.5 times. On behalf of the board, I wish to congratulate and thank everyone concerned in contributing to our progress last year.

## Group Developments

Of the several major projects currently in hand or projected, representing more than R7 billion of new investment, the most significant is the Columbus stainless steel project in the Eastern Transvaal, a joint venture between Highveld Steel and its equal partners, Samancor and the Industrial Development Corporation (IDC). Construction of this new world-scale facility, which is being integrated with the existing works with minimum disturbance to production, is on time and within the budget of R3.5 billion. Commissioning has begun and will continue throughout the year. Stainless steel prices are expected to remain firm and earnings will start to benefit from the build-up in output during 1996.

At a cost of R1.75 billion in 1995 money, the Tongaat Group is to expand the rolled products division of Hulett's Aluminium at Pietermaritzburg and up-grade product quality to the standards now demanded in world markets. Capacity will be trebled to 150 000 tons a year and it is intended that the feedstock be supplied under long-term contract by the major new Alusaf plant at Richards Bay. Tongaat will manage and hold 50 per cent of the joint venture, with Amic and the IDC holding the balance. In addition, Tongaat's starch and glucose division is to build a new R600 million plant in Gauteng to ensure that manufacturing capacity continues to keep pace with burgeoning demand.

An important strengthening of our investment in the motor manufacturing industry has come about with the Ford Motor Company's decision to return to South Africa and acquire a 45 per cent stake in Samcor. Whilst Samcor fared reasonably well during the years of isolation, there is no question that to achieve real progress it has to be closely associated with an international player in the motor industry, and thereby obtain full access to state-of-the-art standards of design and manufacturing, and highly developed marketing and management skills. As part of the restructuring, funding is now available for the production of a new Ford model. We are delighted to resume our association with Ford.

Pollin's new production facility at Sasolburg, costing R680 million, is expected to be commissioned in 1996. The AECI plant in KwaZulu-Natal for the manufacture of lysine, an additive for animal feeds, is due to come on stream in 1995 at a cost of R280 million.

Mondi has embarked upon a R280 million capital programme to expand operations and improve quality at its pulp, paper and board mills. Scaw Metals is considering the erection of a third direct reduction iron plant, the likely cost being in the region of R150 million, to provide its melting operations with a further 150 000 tons a year to offset the anticipated shortage of steel scrap. Finally, Rheem Can is contemplating the installation of a second production line at its plant in Gauteng, at a cost of about R170 million.

All this demonstrates not only the dynamic nature of the Group, but our readiness at the centre to participate in the financing of South Africa's industrial growth, employment creation, and export earnings. It follows that our participation is particularly critical in cases where projects, such as the Hulett's Aluminium expansion, require funding on a scale which the operating group could not prudently assume. Size gives us the strength to do so.

On a consolidated basis, Amic's capital expenditure for the year amounted to R1 339 million (against R876 million in 1993), of which R946 million related to expansion and the remainder to asset replacement. At the year-end the debt/equity ratio had increased to 23 per cent from 17 per cent the year before. The increase is largely attributable to the consolidation of AECI for the first time. I am satisfied that we retain sufficient capacity to finance whatever new opportunities may arise.

## The Future

Having endured years of political and economic adversity, South Africa's industry is at last enjoying a period of improved political and social stability, a burgeoning recovery in the domestic market and buoyant conditions in world trade. For once our recovery is not a simple response to a revival in export prices; from the beginning it has been nurtured by a rapid revival in private fixed investment by South African entrepreneurs, particularly in massive new export capacity. Columbus, Alusaf, Namakwa Sands and other projects now coming on stream or in train will augment South Africa's export earnings by an estimated R10 billion a year, or 10 per cent, thereby providing further scope for growth without risk to the balance of payments. That in itself would seem justification enough for the tax reform (37E) that brought the biggest of those investments about. We can also look to a substantial recovery in public investment as the reconstruction and development programme gathers speed. Overall, a growth rate of three per cent or more may well be attainable this year despite the drought.

As far as Amic is concerned, we can confidently expect these favourable influences - which in many cases have not yet been reflected in our earnings - to persist, and we are therefore budgeting for a further significant improvement in our results. The fortunate conjunction of events I have described will not last indefinitely, of course. Government, organised labour and the private sector must therefore act now to enhance our competitive ability so that we are better equipped to survive, and preserve the improvement in South Africa's living standards, when the world economic cycle turns down.

## Results

	1994 R million	1993 R million
<b>Income Statement</b>		
Turnover	16 938	8 789
Earnings from operations and investments	1 212	438
Share of earnings of associated companies	221	209
Dividends	108	89
Retained earnings	113	120
Interest earned	118	76
Income before interest and taxation	1 551	723
Interest paid	267	76
Earnings before taxation	1 284	647
Taxation	245	80
Current	158	98
Deferred	64	(25)
STC	23	7
Earnings after taxation	1 039	567
	324	132
Earnings attributable to outside shareholders	309	91
Preference dividends	15	41
Earnings attributable to ordinary shareholders before extraordinary items	715	435
Extraordinary items	88	(9)
Earnings available for distribution	803	426
Dividends - ordinary	(294)	(235)
Capitalisation issue - 1992 final dividend	-	69
Earnings retained	509	260
Number of ordinary shares in issue (000)	65 224	59 727
Earnings per ordinary share - cents	1 108	737
Dividends per ordinary share - cents	450	375
Interim	132	110
Final	318	265

\*Based on the weighted average number of 64 567 445 ordinary shares in issue for the year

## Capitalisation share award and right of election to receive instead a final dividend

As indicated in the accompanying statement by the chairman, the directors have resolved to award capitalisation shares to ordinary shareholders registered in the books of Amic at the close of business on Friday, 24 March 1995 ("the record date"). The terms of the capitalisation award will be published on Monday, 20 March 1995. Instead of the capitalisation award shareholders may in respect of all or part of their shareholding elect to receive a final dividend of 318 cents per ordinary share in respect of the year ended 31 December 1994 ("the election"). The new ordinary shares to be issued pursuant to the capitalisation award will be issued as fully paid by way of capitalisation of part of Amic's distributable reserves.

Documentation dealing with the capitalisation award and the election will be posted to shareholders on Friday, 31 March 1995. In order to be valid, completed election forms will need to be received by the company's transfer secretaries by no later than 12h00 on Friday, 21 April 1995. Should such election forms not be received by such date, Amic will automatically issue capitalisation shares to all relevant shareholders concerned. Application will be made to The Johannesburg Stock Exchange and the London Stock Exchange for the capitalisation shares to be listed with effect from the commencement of business on Wednesday, 26 April 1995.

Shareholders are advised that the share registers will be closed from Saturday, 25 March 1995 to Friday, 7 April 1995, both days inclusive.

The right to elect to receive a dividend is not available to shareholders in any jurisdiction in which it is illegal to grant the same.

By order of the board  
Anglo American Corporation of South Africa Limited  
Secretaries  
per: C.L. Farrel-Divisional Secretary

10 March 1995

Registered Office  
44 Main Street  
Johannesburg  
South Africa

London Office  
19 Charterhouse Street  
London EC1N 6QP

Transfer Secretaries  
Consolidated Share Registrars Limited  
1st Floor - Ebury  
40 Commissioner Street  
Johannesburg 2001 South Africa

Barclays Registrars  
Bourne House  
34 Beckenham Road  
Beckenham Kent BR3 4TU

999

## INTERNATIONAL COMPANIES AND FINANCE

## Woolworth jobs go in savings drive

By Richard Tomkins  
in New York

Woolworth, the US retailing group, is to cut 2,000 jobs from its worldwide workforce of 111,000 as part of a drive to save \$100m a year in costs.

The announcement, by Mr Roger Farah, newly-appointed chairman and chief executive, came as Woolworth produced fourth-quarter results which indicated it was recovering from its recent financial troubles. It reported net profits of \$80m for the period to January, compared with net losses of \$111m last time.

Mr Farah, a highly regarded retailer

who came to Woolworth from R. H. Macy in December, said the company planned to build on this improvement through a global cost-reduction programme designed to produce annual pre-tax savings of \$100m after severance costs.

He said this programme, together with the sale of small, under-performing units and surplus real estate, would improve cashflow this year. He hinted that more radical action could follow. "We see these activities as the initial steps towards improving the company's profitability while we evaluate the strengths of our world-wide operations."

Last year's fourth-quarter losses

included a \$168m pre-tax provision for the disposal of the company's Woolco chain in Canada. Excluding this charge, Woolworth's specialty retailing division lifted operating profits to \$143m from \$51m, and its general merchandise division turned a \$54m loss into an operating profit of \$22m. Revenues fell to \$1.7bn from \$2.1bn, largely because the discontinued Woolco figure included the discontinued Woolco operations. Earnings per share were 9 cents compared with a loss per share of 84 cents. For the full year, Woolworth had net income of \$47m. Last year it incurred net losses of \$495m after pre-tax charges of \$726m.

## Steelmaker's sell-off finds favour

The privatisation of China Steel, Taiwan's leading steelmaker, has been heavily oversubscribed in the island's biggest share offering, the underwriter said.

According to preliminary tallies, investors have applied for at least five times as many shares as are available, Core Pacific Securities said. The subscription period closed on Tuesday.

Taiwan's ministry of economic affairs will cut its stake in the listed blue-chip concern to 47.9 per cent from 67.8 per cent, making Taiwan's only integrated steel mill the fourth state-run enterprise to be turned over to private hands.

In Taiwan, a company is legally "private" if government holdings fall below 50 per cent. Securities analysts are positive about the prospects for the steelmaker, which now ranks 18th in the world in terms of capacity.

"China Steel's fundamentals are incredibly strong and will be for some time to come," said Mr John Nelson, head of research at Jardine Fleming Taiwan Securities. "The offer price is a bargain, especially when viewed from a medium to long-term perspective."

A total of 1.443bn shares - nearly one-fifth of the company's outstanding stock - is being sold. Of these, 433m are reserved for company employees, 280m are earmarked for retail investors through lottery, and the remaining 730m will be placed with institutional and large-lot individual investors through an application system granting priority to individuals.

Foreign institutional investors were allowed to apply for shares through government-approved investment facilities, but domestic investors were given precedence.

At an offer price of \$21.40 a share, the share sale amounts to \$30.9bn (US\$1.2bn), the

Taiwan's privatisation of China Steel - the island's biggest share offering to date - has been heavily oversubscribed, writes Laura Tyson

sixth and largest tranche of shares in the company sold to date.

Analysts believe that in spite of the size of the offering, the impact on the stock market will not be significant because daily turnover on the stock exchange is relatively high, usually ranging between \$340bn and \$310bn.

The two most recent tranche sales were regarded as unsuccessful because of poor market conditions which sent the market price plummeting to the offer price, quashing investor interest.

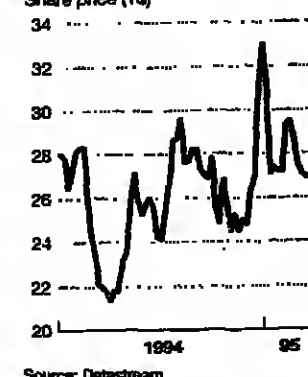
The Securities and Exchange Commission halted the planned sale in early January amid public outcry that Taiwan's privatisation programme amounted to the transfer of national assets into the hands of large business groups. The economics ministry's commission of national corporations, in charge of selling off government holdings in state-run companies, sent a revised plan to the SEC which was approved in mid-February.

Last month, Taiwan's ruling Kuomintang party defended itself amid growing controversy over its alleged role in the government's privatisation programme.

Mr Lin Tai-ying, chairman of the KMT's business management committee, which oversees the party's extensive business interests, dismissed as "nonsense" charges that the party had "hooked up" with the Core Pacific group, a Taiwanese conglomerate, to engineer takeovers of state companies being privatised.

## China Steel

Share price (US\$)



Source: Datastream

Opposition parliamentarians had called on the economics ministry to ban Core Pacific's brokerage arm from underwriting the sale of China Steel shares. They had alleged that the local broker's parent was acting as a front for the ruling party. Core Pacific Securities won the deal in an open bid last year.

The economics ministry revised the underwriting process to prevent Core Pacific from taking advantage of its position to place shares with its affiliated companies, as it had done previously. It also extracted a written guarantee from the broker's owners that they would not interfere in China Steel's management. Institutional and large individual investors will not be permitted to sell the shares for one year.

Mr Dennis Chang, an analyst in the investment department of Cathay Life, the island's biggest insurance company, believes that China Steel

serves as a proxy for Taiwan's economy. The company has a monopoly on the upstream steel market and no domestic competition is in sight until 2000, when Yieh Loong Steel is scheduled to finish an integrated steelmaking facility. Although 80 per cent of China Steel's production is sold domestically, many buyers process for export to south-east Asia and especially mainland China.

Taiwan's economic growth remains strong and is expected to top 6 per cent this year. Although the construction industry is riding out a prolonged slump, public infrastructure projects are spurring steel demand. Steel products are in short supply in the domestic market, fueling price rises, and the industry is on the upswing worldwide, analysts say. Rebuilding following the devastating earthquake in Kobe, Japan, is expected to lift demand and prices.

Founded in the mid-1970s, China Steel is in the midst of expanding capacity by 40 per cent to 8m tonnes, after which it will rank among the top 15 steelmakers in the world.

From July to December 1994, the company posted pre-tax profits of \$36.88m on sales of \$36.4bn, against \$36.22bn on sales of \$32.18 during the same period a year earlier.

According to estimates by Jardine Fleming, the stock is trading on a prospective price-earnings ratio of 12, far below the 25-30 ratio at which the entire stock market trades.

Short-term profit-taking is expected to emerge immediately after investors receive delivery of shares as small investors, who will take up about half of the offering, sell out quickly. But over the long term, the stock is underpriced and could hit \$40 a share, according to Jardine Fleming.

## Quaker Oats to take charge

By Richard Tomkins

Quaker Oats, the US breakfast cereal and drinks group, said it expected to take a charge of between \$75m and \$90m in the fourth quarter to June because of costs arising from the recently-agreed sale of its pet food businesses.

It also announced the resignation of chief financial officer, Mr Terry Westbrook, who had left "to make a career change". He is replaced by Mr Robert

Thomason, former head of Quaker's international food division.

Last month, Quaker agreed to sell its European pet food business to Dalgety of the UK for \$700m, and its North American pet food business to H. J. Heinz of the US for \$725m.

Yesterday, it said the combined pet food businesses represented about 20 per cent of total group revenues, "and we have to reduce our overheads

to what will be a smaller Quaker Oats company".

This would mean the consolidation of distribution and administrative functions, and as yet unquantified job cuts.

The resulting charge would be equivalent to between 35 cents and 40 cents a share.

In last year's fourth quarter, Quaker Oats reported earnings of 24 cents a share after a pre-tax restructuring charge of \$108.6m.

## Moody's cuts Glaxo's long-term debt rating

Moody's Investors Service, the US credit rating agency, has cut the rating of Glaxo, the UK pharmaceuticals company, following rival Wellcome's recommendation of the company's takeover approach, writes Richard Waters in New York.

Moody's said it had cut Glaxo's long-term debt rating by four notches from triple A, the highest available, to single A1.

The agency said the move was prompted by the high level of debt Glaxo will have to take on to complete the acquisition.

While pointing to the benefits of scale and a broader product range stemming from the deal, Moody's warned that it would "materially weaken Glaxo's financial condition. The substantial incremental debt will significantly increase leverage and reduce fixed-charge coverages."

## MetLife posts \$160m at operating level

Metropolitan Life, the large US insurance group, reported operating earnings of \$160m for 1994, and a \$203m increase in its capital base to \$8.3bn. As a mutual insurer, MetLife is not required to publish full after-tax results, writes Richard Waters in New York.

Mr Harry Kamen, chairman and chief executive, said the results had been affected in part by costs of compensating clients and strengthening its compliance procedures following complaints about its sales practices. In spite of this, and a "substantial decline in our portfolio rates of interest", the company had managed to strengthen its financial position, increase dividends to policyholders and address the problems associated with its sales practices, he added.

Total revenues fell by \$800m to \$39.3bn from a year ago.

## News Corp and Telstra in pay-TV deal

By Bruce Jacques in Sydney

News Corporation, the Australian media group, has teamed with Telstra, the Australian telecommunications company, to make a long-heralded entry into pay television through a deal with the existing domestic pay operator, Australia Media.

News and Telstra will each subscribe for 25.5m shares in Australia at A\$1.40 each, with an option to acquire a further 25.5m shares each at the same price within 27 months.

If fully exercised, the companies would both hold just over 8 per cent of Australia.

News and Telstra will jointly establish a pay TV venture called Foxtel, using cable and digital technology.

Australis will be offered an equity stake of up to 20 per cent in the operation, and the existing Australis pay services will be supplied to the new network.

At the core of the new venture is a A\$3.9bn (US\$2.8bn) project by Telstra to connect cable to more than 4m Australian households by 1999.

The Foxtel service is scheduled to begin broadcasting in the second half of 1995.

**CREDIT LYONNAIS**  
US\$100,000,000  
Floating rate notes 2003  
The notes will bear interest at 6.3125% per annum for the period 10 March 1995 to 11 September 1995. Interest payable on 11 September 1995 will amount to US\$162.20 per US\$5,000 note and US\$3,243.92 per US\$100,000.  
Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**DEELKRAAL GOLD MINING COMPANY**  
COMPANY ANNOUNCEMENT  
Deelkraal regrets to report the deaths of six employees resulting from clashes between employee groupings on the mine on Tuesday, 7 March 1995.  
The critical situation on the mine forced the early curtailment of the morning shift on Tuesday and all subsequent underground shifts have been cancelled pending a return to normality.  
The company is doing all in its power to normalise the situation, including ongoing discussions with representatives of the employees involved.  
Johannesburg  
9 March 1995



## INTERNATIONAL COMPANIES AND FINANCE

## Anglo American industrial arm lifts profits 64%

By Mark Suzzman  
in Johannesburg

Anglo American Industrial Corporation (Amic) yesterday reported a 64 per cent increase in attributable earnings to R715m (R185m) for the year to end December, from R435m a year ago.

That translates into a 50 per cent rise in earnings per share to 1.108 cents from 737 cents previously, due to a larger number of shares in issue. A final dividend of 318 cents a share was declared, bringing the total dividend for the year to 450 cents, up 20 per cent from 375 cents a year ago.

Amic is the industrial arm of South Africa's Anglo American. Its interests range from chemicals to mining equipment, stainless steel and consumer goods.

Mr Leslie Boyd, chairman, said the results reflected healthy growth across all divisions, particularly in the latter part of the year, and that the group was now operating at close to full capacity.

"Having endured years of political and economic adversity, South Africa's industry is at last enjoying a period of improved political and social stability, a burgeoning recovery in the domestic market and

buoyant conditions in world trade," he said.

Group turnover rose to R16.94bn from R8.79bn, mainly reflecting the consolidation of chemicals company AECI, which became a 52.5 per cent held subsidiary last year. The first-time inclusion of AECI also meant that net finance charges increased sharply to R364m from R42m. The group's debt-equity ratio came to 23 per cent, up from 17 per cent previously.

Pulp and paper producer Mondi increased operating profit 188 per cent to R293m from R88m on the back of a 21 per cent increase in turnover to R3.1bn, making it the single biggest contributor to group earnings.

The Scaw metals group was the next largest contributor, with a 20 per cent rise in its attributable earnings to R121.4m from R101.1m. AECI reported a 40 per cent rise in attributable earnings to R287m from R206m.

Mr Boyd said the group was involved in new capital projects in South Africa worth more than R7bn, including AECI's Polfin joint venture with Sasol and the Columbus Stainless Steel project. The group spent R1.34bn in capital expenditure last year.

## Borealis produces bright results on first birthday

Sharp growth in demand has boosted the Norwegian-Finnish polyolefins group, writes Karen Fossli

The northern lights shined last week on Borealis, the jointly-owned Norwegian-Finnish polyolefins group which is based in Copenhagen. It was celebrating its birthday with strong results from its first year of operations.

Its owners - Statoil, the Norwegian state-owned oil and gas company, and Neste, the Finnish state oil and chemicals group - are likely to receive a dividend of DKK207m (\$37m), equivalent to 50 per cent of net profits.

Created out of a merger in 1993 from the petrochemical businesses of Statoil and Neste, Borealis has annual production of more than 2m tonnes of polyethylene and polypropylene in Europe and the US.

When the merger was announced, the European petrochemical industry was suffering from substantial overcapacity, weak demand due to recession, and rising imports of polyolefins as exports slumped. Tough competition contributed to low profitability, cost-cutting, reductions in investments and restructuring.

The leading producers' market share, and their ability to invest in technology, had also undermined the competitive position of smaller producers.

Although there was a recovery last year, there is growing concern that the industry may be heading towards another

slump towards the end of the decade if current plans for increasing capacity are realised.

Before the merger, Statoil and Neste were keen rivals. The link-up was the largest industrial merger between Nordic companies and created Europe's only sole producer of polyolefins, an important component in plastics production used in goods ranging from food packaging to cars, household goods, pipes and cables.

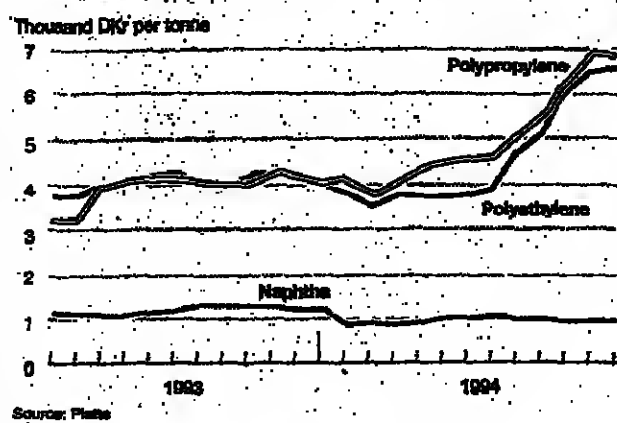
Statoil brought to Borealis access to ethane feedstock from its Norwegian North Sea operations and a strong financial backbone, while Neste contributed polyolefins technology, specialty production and a well-established market position.

According to Mr Juha Rantanen, 43, the Borealis' chief executive who was a motivating force for the merger, the logic for the deal was obvious. "The big surprise for us has been the many additional benefits resulting from the merger," he says.

A vigorous plan to break down cultural barriers between Statoil and Neste was started after the merger.

"Soon after the merger, Borealis left Statoil and Neste behind and established its own corporate values. It took less than one year for our staff to take on the Borealis identity but there are sub-cultures in some of our operations which

## European prices



we are still seeking to merge," Mr Rantanen says.

However, from a global point of view, he does not believe that Borealis is as competitive as it could be. Steps to remedy that weakness will be taken over the next few years.

Borealis is Europe's largest producer of polyolefins, and the fifth largest in the world. Last year it made an operating profit of DKK1.9bn compared with a budgeted loss of DKK200m, and a pro-forma Statoil/Neste operating loss of DKK600m in 1993.

The strong result was largely due to sharp growth in European and global demand, which pushed prices to their highest levels in years as feed-

stock (naphtha) prices remained stable.

Prices for polypropylene, for example, jumped during 1994 from DKK4,000 a tonne to more than DKK7,000 a tonne.

Demand for polyethylene in 1994 rose 10 per cent and by 15 per cent for polypropylene, representing a sharp increase compared with previous cyclical upturns and double that of the growth in production.

Mr Rantanen says that economic growth in Europe spurred a significant inventory build-up which accounted for around 3 to 4 percentage points of last year's overall growth in demand.

Another factor behind the advance was a change in global trading patterns, which cleared the way for Europe to

become a net exporter of polyolefins to Asia after being a net importer for many years.

Capacity utilisation was also at its strongest level in years, growing at Borealis from 85 per cent in 1993 to 95 per cent in 1994, with strong operational performance across all plants. Production of olefins and polyolefins rose steadily throughout the year, as output and capacity utilisation reached record levels at the group's five main European sites.

Mr Rantanen foresees strong demand over the next two or three years as European economies continue to grow, but he warns of a downturn late in the decade and potential overcapacity should all plans for new production be realised.

"There are alarming signs, especially for polypropylene, that new capacity of around 1m tonnes will come on stream around 1997, coinciding with a cyclical economic downturn and compared with a market of around 5m tonnes."

"It seems the industry has not learned from past lessons," he says.

Mr Rantanen foresees long-term growth in demand of between 7 per cent to 8 per cent for polypropylene. However, he warns that just five of Europe's main 13 producers could destroy the market if each one realises projects to bring annual capacity of 200,000 tonnes a year on stream.

For its part, Borealis is likely to reduce capacity of a low density polyethylene plant in Poovro, Finland, when it brings a new plant there into production in November. The high-density facility will have annual production capacity of 120,000 tonnes of specialised high-value products.

The group is also studying the feasibility of converting a high-density 120,000 tonnes annual capacity polyethylene plant in Belgium into a polypropylene plant with annual capacity of 150,000 tonnes. A decision is expected by the end of this month.

The project would be the first conversion of this type and be based on Borealis technology. Mr Rantanen believes the conversion is technically possible, but a decision rests wholly on market considerations.

"By 1997 Borealis will become the company it has the potential to be - the ultimate Borealis - and we will look for opportunities to expand in and out of Europe while remaining a polyolefins company."

"We like to be focused and think it's a strength rather than a weakness. There's still a lot to be done with our polyolefins business to bring some depth and character to the Borealis name," says Mr Rantanen.

## Hongkong Electric beats expectations

By Simon Holberton  
in Hong Kong

Hongkong Electric Holdings, which owns the monopoly supplier of electricity to Victoria Island, yesterday exceeded analysts' expectations when it reported a 13.6 per cent rise in net profit to HK\$3.84bn (US\$2.6bn) from HK\$3.38bn in the year to end-December 1994. Profit was struck on a 12 per cent increase in group turnover to HK\$46.67bn from HK\$45.94bn. Profits set aside under the terms of the company's "scheme of control" rose to HK\$3.14m from an abnormally low HK\$4m in 1993.

Earnings per share rose 13.7 per cent to HK\$1.90. A final dividend of 63 cents was declared which, with the interim payout of 37 cents, makes HK\$1 for the year - an 11 per cent rise on 1993.

The main source of profits for Hongkong Electric, in which Mr Li Ka-shing has a controlling 34.6 per cent interest, came from power generation and transmission.

Mr George Magnus, chairman, said the electricity company recorded a 15.3 per cent growth in attributable profits to HK\$3.16bn. Sales of electricity rose 6.5 per cent in 1994 and were in line with the company's long-term sales forecast of growth in demand of between 5 per cent and 7 per cent a year.

He said the company successfully completed in 1994 the HK\$15bn capital expenditure programme begun in 1990. The current year marked the beginning of another five-year capital spending cycle which would absorb HK\$21bn.

Funds will be allocated to the expansion of electricity generation capacity, the upgrading and extension of the company's coal handling facilities, and environmental works.

An important addition to profits came from property development, which appears to have contributed nearly HK\$700m in net earnings. The final seven blocks of a big development, South Horizons, are due for completion this year.

## Placer Dome in drive for new ventures

By Bernard Simon  
in Toronto

Placer Dome, the Vancouver-based gold producer, has launched an ambitious drive for acquisitions and new projects in a bid to reverse stagnant output from its operations.

Mr John Willson, chief executive, said at the start of an international roadshow yesterday that Placer had about US\$300m worth of construction work under way. This would double if plans for new mines and expansion of existing properties come to fruition in Venezuela, Mexico, the US and Canada.

Placer's share of gold output from the 16 existing mines in which it has an interest dropped to 1.72m oz last year from 1.83m oz in 1993 and 1.85m oz in 1992. Copper production slid to 40.4m lb from 77.4m lb in 1992. Silver production more than halved.

However, Mr Willson estimated that gold output would climb to 1.9m oz this year and to 2.5m oz by the end of the decade, excluding possible acquisitions. The company is seeking a stake in projects at an advanced stage of exploration whose owners either require additional financing or, in Placer's opinion, have misjudged the quality of the deposit.

Placer aims to start construction by October of the 70 per cent-owned Las Cristinas gold



John Willson: sees gold output climbing to 1.9m oz this year

and copper mine in Venezuela. Mr Willson said the economics of the project appeared to have improved with the recent discovery of high-grade gold deposits in the Cordova/Achilles zone.

Issues still to be resolved with the Venezuelan authorities include offshore gold sales, land tenure and approval to mine copper, from which much of Las Cristinas' gold would be extracted. Mr Willson said: "We've received very strong assurances that we've got all these things."

Placer will decide later this year on the development of its 68 per cent-owned Musselwhite project in Ontario, whose gold reserves are estimated at 2.2m oz. A full feasibility study may be started within the next year on the 70 per cent-owned Mulatos deposit in Mexico.

## Citic chief expected to quit

The board chairman of China's overseas flagship China International Trust and Investment Corp. Mr Wei Mingyi, is expected to step down at a weekend board meeting and be replaced by the president, Mr Wang Jun, according to western business sources close to the

company, Renter reports from Beijing.

The move is apparently linked to significant losses run up in unauthorised trading in base metals futures by Citic's Shanghai operation.

Mr Wei has been board chairman since 1993.



## Banco Itaú S.A. - Brazil

## HIGHLIGHTS OF THE YEAR 1994

Net income increased to US\$ 379 million, showing in relation to stockholders' equity, which amounted to US\$ 3,041 million, a return on equity of 12.5% (ROE). The return on assets was 2.1% (ROA).

Total assets were US\$ 17,624 million by year end. The loan portfolio totaled US\$ 7,743 million showing a growth of 41.9% over 1993. Our leadership in the leasing segment was consolidated in 1994.

Funds raised and managed amounted to US\$ 16,323 million, making Itaú the largest private manager of investment funds in Brazil.

Provision for possible loan losses was US\$ 325 million, representing 4.1% of the loan portfolio. This amount exceeded the balance of overdue credits by US\$ 114 million.

In regard to the minimum level of 8% recommended by the Basel Committee, our total risk-based capital ratio was 24.4%.

BANCO ITAÚ S.A.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 1994 AND 1993.

(Expressed in millions of dollars)

ASSETS	12/31/94	12/31/93
Cash and non-interest bearing deposits with banks	1,181	1,502
Interbank investments	1,575	4,752
Trading account securities	1,298	1,698
Interbank and inter-branch relations	2,811	877
Loans	6,373	4,331
Lease operations	953	636
Overdue credits	133	64
Provision for loan and lease losses	(307)	(147)
Other credits	1,341	1,963
Other assets	68	83
Investments	221	100
Fixed assets	1,866	1,671
Deferred assets	51	44
<b>TOTAL ASSETS</b>	<b>17,624</b>	<b>17,652</b>
LIABILITIES AND STOCKHOLDERS' EQUITY	12/31/94	12/31/93
Total deposits	9,563	7,709
Resources on open market	210	2,052
Acceptances and securities issued	154	140
Interbank and inter-branch relations	213	177
Borrowing	1,593	2,165
Outstanding liabilities - domestic and foreign	609	464
Other liabilities	2,225	2,169
Deferred income	16	19
<b>TOTAL LIABILITIES</b>	<b>14,583</b>	<b>14,895</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>3,041</b>	<b>2,757</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>17,624</b>	<b>17,652</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - YEARS ENDED DECEMBER 31, 1994 AND 1993.

1. Banco Itaú S.A. consolidated financial statements include its branches abroad and its main financial and non-financial subsidiaries.

2. The consolidated financial statements of Banco Itaú S.A. have been prepared in reais (R\$) of constant purchasing power as of December 31, 1994, and converted into US dollars. The translated rate used was R\$ 0.846 to US\$ 1, which was the official selling rate on December 31, 1994.

3. The complete consolidated financial statements and independent auditors' report - KPMG - Peal Marwick, which contain no reservations, were issued on February 2, 1995 in both newspapers O Estado de S. Paulo and Diário Oficial do Estado de São Paulo.

Banco Itaú S.A. - R. Boa Vista, 176 - São Paulo - SP - Brazil - Phone: (5511) 237-5718/237-5771 - Fax: (5511) 237-5937



COMPANY NEWS: UK

Plant closures and fall in R&D spending behind 33% advance

Rolls-Royce ahead to £101m

By Michael Skapinker, Aerospace Correspondent

Plant closures and a fall in research and development spending helped Rolls-Royce raise 1994 pre-tax profits by 33 per cent, from £78m to £101m - at the top end of market expectations.

The aerospace and industrial power group's sales slipped from £3.52bn to £3.16bn, reflecting a decline in military engine deliveries and reduced levels of business in the industrial power sector.

Sir Ralph Robins, chairman, said market conditions remained depressed in both aerospace and industrial power. However, sales in military aerospace are expected to recover this year and in 1996.

The successful development of the group's Trent engines allowed net R&D expenditure to be reduced to £218m last year, from £253m in 1993. A further reduction is expected this year.

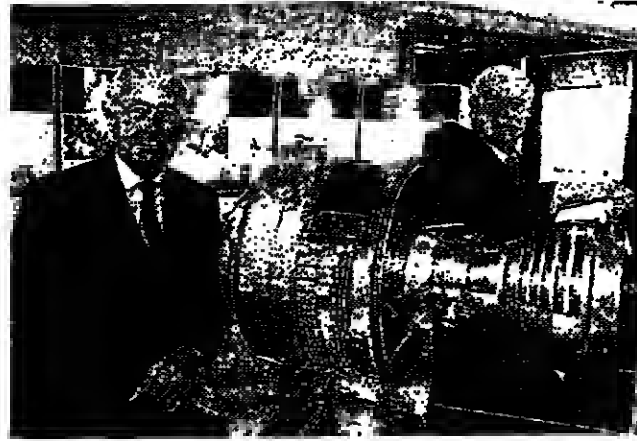
The restructuring programme has resulted in a reduction in the workforce to 41,000. This is 10 per cent lower than a year ago and more than 20 per cent down since the programme was announced in 1988.

Sir Ralph said there would be no further closures beyond the seven sites already shut. The group would, however, continue to reduce costs and increase efficiency. He said that two thirds of parts manufactured by the group were now made in a different place to five years ago.

The recommended final dividend is again 3p, maintaining the total at 5p. Earnings per share were 6.82p (5.95p).

Sir Ralph said the group expected US regulatory approval this month or next for its proposed \$350m (£230m) acquisition of Allison Engine Company. The purchase would be funded by equity, but the group had yet to decide whether this should be through a rights issue or a placing.

**COMMENT**  
Rolls-Royce's cost-cutting and the end of most of the research expenditure on the Trent engines leave it well placed to benefit from an upturn in the civil aviation market. The difficulty is that no one can be certain when that upturn will begin or how vigorous it will be.



Terence Harrison (left), chief executive, with Sir Ralph Robins: recovery seen in military aerospace sales this year and 1996

Boeing, the largest civil aircraft manufacturer, is still shedding staff relentlessly. The fear is that aircraft orders will surge sharply before the next downturn in the world economy, and any revival in orders will be short-lived. Forecast pre-tax profits for the current year of £135m and earnings per share of 9.5p leave the shares on a prospective multiple of 16. While that makes them look expensive on a one-year view,

the aerospace and power businesses require a longer-term outlook. Engine developments in the next few years will be variations on the technically successful Trent programme, which means that the group can compete without a large increase in R&D. For the present, it has probably done all that it can. The future depends on the outlook for the industry as a whole. If it thrives, Rolls-Royce is well placed.

Publishers withhold books in row with Thorn

By Raymond Snoddy

Britain's main publishers are withholding supplies of books from Dillons because of a row over compensation payments with Thorn EMI, new owner of the chain.

Thorn, which last week bought most of the assets of Dillons from Penton's receivers in a £36m deal, has paid in full small publishers owed less than £10,000. It has, however, offered large publishers only 50p in the pound.

The publishers made it clear at a meeting with Thorn on Tuesday night that they wanted to be paid in full for stock now held in Dillons bookshops, which they estimate is worth £30m.

The Publishers Association this week advised members to stop deliveries to Dillons, pending clarification of the situation.

Most publishers believe the unsold stock in Dillons still belongs to them, either because of "retention of title" clauses in their contracts or because the books were supplied on a sale-or-return basis.

The association is encouraging them to tell Thorn that their books should be identified and kept apart from the rest of Dillons' stock. And they are reserving the right to take legal action if Thorn does not agree.

However, one publisher, Hodder Headline, has broken ranks and decided to accept Thorn's offer as a reasonable compromise. Hodder Headline and some of its clients will, as a result, receive about £1m from Thorn.

Mr Tim Hely Hutchinson, Hodder's chief executive, said the arrival of Thorn in the book publishing business was very good news. He found it distasteful that publishers had responded "with a slap in the face".

Thorn said that the stock position was exactly what he thought was very complicated. "We thought 50p was a sensible commercial offer. It was not well received."

Thorn confirmed that it was not receiving stocks of books from major publishers but hoped that an agreement could be reached soon. "We need them and they need us," the company said.

GKN rises to £200m and wins government order

By Tim Burt

Shares in GKN rose 14p to 579p yesterday after the motor components, industrial services and defence equipment company won a crucial helicopter order and announced a doubling of profits.

Sir David Lees, chairman, hailed the UK government order for 22 EH101 helicopters as a "tremendous boost" for the group, which reported a sharp increase in 1994 pre-tax profits from £39.5m to £80.3m on turnover of £3.09bn (£2.64bn).

He also announced an increased dividend for the first time in more than five years, lifting the final pay-out to 13.5p - for a total of 21.5p (20.5p).

"We have doubled pre-tax profits and doubled earnings per share. That's a record dividend cover," he added.

Improved profits from GKN's three core divisions - including Westland, acquired for £44m last year - helped lift earnings per share from 14.3p to 28.3p, or 37.4p before exceptional items.

Of those divisions, the automotive and engineered products businesses enjoyed the sharpest improvement as rising demand from motor manu-

facturers pushed profits up from £76m to £122m.

Cost-cutting and increased productivity enabled the division to overcome raw material price increases averaging 15 per cent, although it warned customers that prices would have to rise by about 3 per cent this year.

Its performance, however, was hampered slightly by slowing armoured vehicle sales ahead of initial deliveries on a large Kuwaiti order.

Advance payments for such vehicles fuelled a sharp turn-around in net cash, which totalled £316m at the year end.

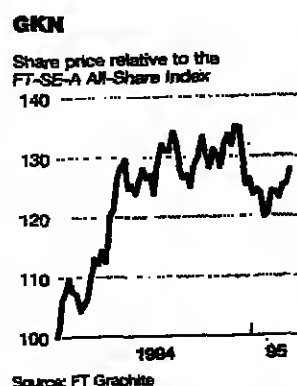
Against net debt of £18m. The group was left with a relatively modest £11m of cash after stripping out those payments, but Sir David said: "To be cash positive at all is a major achievement."

He pledged to use some of the cash to expand the Chet pallet business, which underpinned profits of £42m (£31m) in the industrial services and distribution division.

A 15-month contribution from Westland lifted operating profits by a further £19m, helping the group total rise to £183m (£107m).

Those profits were dented by £22.2m of exceptional items, dominated by a £59.5m provision for losses on the sale of the group's stake in URS - its steel joint venture. That was offset by compensation payments of £50.5m from the Arab Organisation for Industrialisation over cancelled helicopter orders.

Nevertheless, an increase in UK taxable profits enabled the group to cut its tax rate from 38.7 per cent to 35.8 per cent. A further 1 percentage point fall this year, coupled with organic growth in GKN's core divisions, is expected to lift 1995 profits to about £270m. See Lex



Northumbrian Water to appeal to Panel over Lyonnaise move

By Peggy Hollinger

Northumbrian Water is to appeal to the Takeover Panel over the decision by Lyonnaise des Eaux de France to declare its interest in making a bid and launch a regulatory process, which could overshadow the shares and the company for some six months.

The UK utility said yesterday it would be calling for the Panel to press for clarification of the offer from Lyonnaise, which has said it would not table a price until the regulatory review process is complete.

In the UK a bid for a water company is automatically referred to the Monopolies and

Mergers Commission. However, as this is a potential bid from a foreign company, issues of competition will be examined by the European Commission.

Northumbrian told shareholders in a letter yesterday it did not expect the regulatory process to end until August. "The board believes the consequences of this timetable are unacceptable," the company said.

Lyonnaise said yesterday the issue of price was irrelevant as any bid would lapse on referral to the MMC. It also said it had discussed its plans to declare its interest without naming a price with the Takeover Panel before acting.

Share shops consider action over power generators prospectus

By Peggy Hollinger

Share shops around the country were yesterday considering suing the government over the prospectus for the £4bn power generators offer as the 1m private investors who subscribed to the sale saw their shares fall to below the sale price.

Mr John Cobb, chairman of the Association of Private Client Investment Managers and Stockbrokers, said yesterday share shops were considering legal action, after it emerged the government knew before the offer closed that the regulator was considering imposing tougher price limits on the regional electricity companies. This information had not been included in the prospectus.

The regulator's comments on Tuesday threw the electricity markets into turmoil and hit the newly issued generator shares within 24 hours of their market debut. Private investors, who subscribed for shares in National Power at 170p and in PowerGen at 185p, were last night sitting on paper losses of £11.60 on the minimum investment of £382.

"How could they have possibly concluded that Professor Littlechild's (the electricity regulatory statement was not a relevant fact?" asked Mr Cobb. "By going ahead on Friday, they were allowing an issue to go ahead on what, with the information we have to date, appears to have been a false prospectus."

Franchisees offer to buy Ryman chain

By Patrick Harverson

A group representing franchisees who operates 21 of the 114 stores in the Ryman stationery chain have offered to buy the company from the receivers of parent group Penton, the insolvent retailer.

The franchisees are believed to have submitted a bid well below the £15m Penton was seeking when it put Ryman up for sale earlier this year.

The group, however, faces opposition from others interested in buying Ryman. KPMG, Penton's receivers, said yesterday it had received six serious offers for Ryman, and was expecting three more to be made before the deadline for submitting bids expires today.

Although all of the remaining bidders are from the UK, at least one foreign group, the Swiss-owned stationery retailer Office World, expressed an interest in buying some of the stores. It backed out when KPMG said it wanted to sell Ryman whole.

Ryman entered receivership with Penton on February 28, with liabilities of £13m.

Pentland lifted by fashion demand

By Christopher Price

Strong demand for sports fashion clothes last year helped Pentland, the branded goods company, to a 76 per cent rise in pre-tax profits, from £21.6m to £38.1m.

The group, which holds the rights to the Speedo swimwear brand in Europe, Australasia and more recently the US, lifted turnover by 31 per cent to £518.6m (£489.7m). This included a £15.5m contribution from Reusch, a German sports clothing group, which also added £3.1m to operating profits.

Mr Frank Farrant, finance director, said that sales from Speedo, which has about 10 per cent of the world swimwear market and is Pentland's biggest profit centre, rose 30 per cent.

Kickers, the shoe brand, also had a good year, with further advances predicted following the recent securing of the US rights. "There was also a first full-year contribution from Berghaus, the outdoor clothing company."

Pillar pays £25m for office block

By Simon London

Pillar, the property investment and development company headed by Mr Patrick Vaughan and Mr Raymond Mould, has paid £25m for an office and retail block in Birmingham.

The company is buying the 250,000 sq ft building at Fiveways, Edgbaston, from MEPC, the UK's second largest property company, which developed the site in the 1970s.

The building generates rental income of about £2.5m a year, suggesting a yield at the purchase price of 8.5 per cent. Tenants include the Department of the Environment, William Mercer, the consulting actuaries, and Tesco, which operates a 32,000 sq ft supermarket on the site.

Mr Valentine Berisford, acquisitions manager at Pillar, said most of the tenants were on long leases at rents which left open the possibility of rental growth over the next few years. The company intended to hold the property as an investment.

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RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year			
Anglo Japanese	Yr to Dec 31	2,915	(2,727)	217.14	(122.14)	17.9	(7.5)	4.8	May 28	3.85	7.25	6.5
Anglo Petroleum	Yr to Dec 31	8,55	(10,68)	2,481.86	(2,638.86)	0.08	(0.11)	-	-	-	-	-
BTR	Yr to Dec 31	8,444	(9,772)	1,412.97	(1,274.97)	24.5	(23.8)	7	Jun 2	7.3	13.5	12.25
Carphone Int'l	Yr to Dec 31	187.9	(148.8)	16.4	(18.9)	5.81	(6.82)	1.6	May 31	1.5	2.1	2
Carphone (T)	Yr to Dec 31	45	(56.5)	0.83	(0.8)	4.1	(0.71)	2.61	May 9	1.28	4.07	1.28
Carroll's Parker	6 mths to Jan 31	42.4	(43)	1,941.4	(1.28)	3.81	(1.8)	0.3	Apr 15	1.7	1.7	0.7
Carroll's Int'l	6 mths to Jan 31	3.2	(2.4)	2	(2.4)	1.8	(3.2)	0.4	Apr 15	0.4	0.4	0.4
Comptel UK	Yr to Dec 31	1,053	(522.1)	47.39	(38.8)	33.7	(23.2)	10.1	May 4	8.5	15	14.2
Environet Inc	Yr to Dec 31	551.3	(546.1)	718.4	(94.78)	11.7	(7.7)	9.5	June 9	1.2	3	3
Corusbank CI	14 mths to Dec 31	1,165	(1,000)	14.2	(33.3)	5.4	(36.9)	1.6	May 31	12.5	21.5	20.5
ENR	Yr to Dec 31	5,090	(2,639)	203	(87.5)	28.3	(14.3)	13.5	July 3	6.6	9.2	8.8
Hammond	Yr to Dec 31	4,282	(4,586)	172.34	(182.3)	14.5	(15.6)	7	May 22	5.8	10.5	10
HL	Yr to Dec 31	1,181	(1,086)	50.34	(70.24)	6	(13.8)	1.1	Apr 28	4.67	5.5	7.2
Independent News &	Yr to Dec 31	271.4	(173.5)	37.7	(25.9)	20	(18.05)	5.5	July 7	1.8	3.5	3.1
Intertek S	Yr to Dec 31	16.8	(19.3)	1.15	(1.02)	18.9	(14.8)	2.1	May 30	0.74	6.825	0.7
Kode Int'l	Yr to Dec 31	24.3	(24.9)	812.6	(1.14)	98.52	(7)	0.8	Apr 28	1.4	5	5
Life Support	Yr to Dec 31	61.8	(50.2)	5.37	(4.83)	14.2	(12.8)	1.4	May 30	0.74	6.825	0.7
Logica	6 mths to Dec 31	122	(106.5)	7.22	(3.21)	7.8	(3.3)	1.75	Apr 28	1.4	4.7	4.1
MTL S	Yr to Dec 31	30	(22.8)	4.9	(4.33)	17.8	(15.5)	2.6	May 10	3.0915	-	6.2801
Stockrow (A&I)	6 mths to Dec 31	11	(10.6)	5.25	(5.28)	3.91	(3.77)	3.1431	July 1	1.64	3.1	14.8
Trust	Yr to Dec 31	632.5	(471.6)	38.1	(11.54)	6.59	(2.74)	1.85	May 28	1	6.3	3
Quarto	Yr to Dec 31	57.8	(46.5)	6.28	(5.02)	20.8	(18.7)	4.3	Apr 28	1	5	5
Rahco	6 mths to Dec 31	247.2	(207)	1.06	(3.444)	0.38	(1.06)	0.5	July 3	1	1.2	1
Rolls-Royce	Yr to Dec 31	3,165	(3,516)	101	(76)	8.62	(5.96)	3	Apr 3	1.65	-	-
Talents	Yr to Dec 31	137.8	(123.3)	11.99	(8.1)	8.6	(8.5)	1.2	Apr 3	1.65	-	-
Wills Gorton	Yr to Dec 31	671.3	(707.8)	5.64	(76.2)	18.7	(11.3)	1.85	Apr 3	1.65	-	-

Investment Trusts  
F&D Investment  
Larsen Fund  
Lloyds Standard  
Dividends shown net. Figures in brackets are for corresponding period. (N) Increased capital. (S) Stock. (A) After exceptional charge. (W) After exceptional credit. (U) US currency. (M) Mtd profit. (A) Adjusted for stock issue. (P) Profit for period between 1 November 1993 and year end. (C) Comparative for year to October 31. (A) Annual company. (S) Includes special 12p. Includes foreign income dividend of 0.1532. (P) First interim.



## COMPANY NEWS: UK

Timing could affect Lloyds' agreed bid for Cheltenham and Gloucester Society

## Halifax and Leeds plans go to court

By Alison Smith

Halifax and Leeds Permanent, two of the UK's largest building societies, must go to the high court to test the legality of their proposals for distributing free shares among their 10m members on the basis that they combine and then become a bank.

If the scheme is approved, then the timing of the hearing later this month could have an impact on a critical stage of Lloyds Bank's agreed £1.8bn cash bid for Cheltenham &

Gloucester Building Society. C&G found its plans for sharing out the cash were restricted by the high court.

When Halifax and Leeds announced last November their plans to merge and then to become a public limited company, they said they wanted their 10m investing and borrowing members, whose approval is needed for the deal to proceed, to be the main beneficiaries of the flotation.

But the Building Societies Commission, the sector's statu-

tory regulator, has questioned whether the plans to give free shares to all those who were members of the society when the deal was announced and are still members when the deal is completed, are allowed under the 1986 building societies act.

The court hearing is expected to take place on March 20, with the judgment to be delivered soon after.

This could mean that it comes before C&G's £1.2m members vote on whether to approve the Lloyds' offer, at a

special general meeting on March 31.

Under the revised cash distribution scheme put forward by C&G, borrowers are not entitled to a share of the money, nor are the minority of investors who had not joined the society by the start of 1993.

The Lloyds' offer must be approved by two separate C&G resolutions in order to proceed. A simple majority of borrowers voting must be in favour, and there is a higher hurdle for getting investors' support.

If the high court clears the

Halifax free share distribution scheme, then it could mean that C&G comes under pressure to find a way of proceeding which enables borrowers to gain an immediate benefit, as well as sharing in the more general advantages from the move.

The Halifax scheme is based on a fixed number of free shares for investors, borrowers and staff, together with additional shares for those who have been investors with either Leeds or Halifax for more than two years.

## LEX COMMENTS

## Still cautious about BTR

BTR's strong results yesterday should help silence the cynics.

Most importantly, the industrial conglomerate's margins have recovered from 15.2 per cent in the first half to 17.2 per cent in the second half, as increased volume fed through to the bottom line. There is room for further improvement, as higher raw material costs are passed on. BTR's high level of capital expenditure relative to its peers is paying off and some of the company's problems in the US - in particular, at BAE, Weavexx and Alsteel - have been resolved.

One concern is the dearth of badly-run, cheaply-priced companies for BTR to acquire. However, the company is well positioned to grow organically.

The abandonment of BTR's warrants programme is also mildly good news, as the warrants had a dilutive effect on its shares. Existing warrants, if exercised, will provide a further £1.8bn of cash between now and 1998; with acquisitions falling off and a strong cash flow, the company does not need the money. BTR has already managed to reduce gearing from 64 per cent at the end of 1993 to 35 per cent, and has increased interest cover.

Conglomerates have been out of favour recently. But BTR's strong earnings prospects mean its shares may be undervalued.

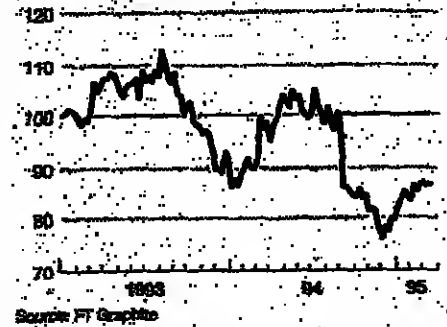
Investors may remain cautious, however. On several previous occasions, the market has welcomed BTR's full year results in March, only to be disappointed in September.

## UK building societies

The Leeds Permanent and Halifax building societies' attempt to distribute shares to their borrowers is an important development. Not least, it should provide encouragement for more members to vote through the merger and conversion to a quoted bank. Whether the distribution is permitted depends on the court and its interpretation of the 1986 Building Societies Act, one of the most ineptly drafted

BTR

Share price relative to the FT-SE-100 All-Share Index



pieces of legislation to have left Parliament in the past decade.

The court's decision could also prove critical for Lloyds Bank and its proposed acquisition of Cheltenham & Gloucester Building Society. The hearing is scheduled for March 20 and a judgment is expected shortly afterwards, probably before C&G members' proxies are due on March 26.

If Halifax is successful, C&G's 384,000 borrowing members would have an incentive to reject Lloyds' offer. At present they are being promised nothing except a vague undertaking of slightly cheaper mortgages. They could plausibly ask whether it was possible for Lloyds to offer them shares, or for C&G to convert on its own and supply them stock that way.

C&G's board insists that if members reject Lloyds' offer, the organisation would remain a society. That smacks of sour grapes. If the court approves the Halifax/Leeds arrangement, C&G borrowers should reject the Lloyds' bid. They should then press the board to negotiate better terms from Lloyds or for a vote on conversion to a bank. If the directors do not provide borrowers such opportunities, they should be voted off the board.



Chiefs together: Roger Boyes, left, and Mike Blackburn.

## Merger plans are clouded by uncertainty

Alison Smith on the share distribution intentions of Halifax and Leeds Permanent

The shape of the share distribution scheme planned by Halifax and Leeds Permanent, two of the UK's largest building societies, is now clearer.

But there is much that remains cloudy about the route from here through the merger to the flotation of the combined organisation, which may not occur until 1997.

The first uncertainty is whether the societies' scheme will be accepted by the high court.

Borrowers, employees and pensioners and all investors with balances of at least £100 will receive a "basic distribution" of a fixed number of free shares. Depositors with the societies - savers who are not members - are excluded.

In addition, they propose that investors of more than two years' standing, who have share balances of £1,000 to £50,000, will receive free shares broadly proportional to their balances.

Halifax believes that by giving priority within the share distribution to investors of more than two years' standing, the scheme meets the terms of the 1986 building societies legislation, even though others will benefit as well.

But the Building Societies Commission, the sector's statutory regulator, is seeking guidance from the court about the legality of giving rights to free shares to all members, when the act refers to restricting priority rights to investors of more than two years' standing.

Another uncertainty is how the free shares will be split between the basic and variable elements. Mr Jon Foulds, Halifax chairman, said yesterday that the scheme would be "loaded towards the basic rights of membership".

This suggests that significantly more than half will go in the basic distribution. One likely prospect is that two thirds or three quarters of the total would be spread among all those 10m members, and staff, who qualify for the fixed numbers of free shares, leaving the remainder to be shared among the investors of more than two years' standing on the basis of their balances.

The exact split would probably depend on the market capitalisation of the combined organisation when it is floated. Mr Foulds suggested yesterday that this was likely to be £25bn-£30bn.

Within the variable element of the distribution, the aim will be to match the number of shares to amounts in accounts.

The entitlement will be calculated on the basis of narrow bands, perhaps of just £100 each, up to the maximum qualifying balance of £50,000.

A third uncertainty arises from the timing of the plans, and would affect who counts as an investor.

Last month, the government announced a range of measures to give building societies more powers and to make them more accountable to their members. One of the more important changes was the proposal to remove the distinction between different types of personal savers - investors, who are members of a society, and depositors, who are not.

This would require primary legislation. No time has been set for this yet, but it could be introduced in the parliamentary session which begins in the autumn, and become law by next autumn.

If current plans are enacted before the flotation, it could mean that account holders who are not currently eligible have to be brought into the scheme - for example the 900,000-plus holders of the Halifax current account.

These uncertainties come on top of the questions over any move by a society which requires consent of members - in this case first to the merger and then to the flotation.

The high court ruling should lift the fog in some respects, but it will not clear completely until much nearer the end of the deal.

## NEWS DIGEST

## Quarto ahead to £6.28m

Despite difficult trading conditions in the UK, Quarto Group, the publishing and printing services company, raised 1994 sales and pre-tax profits by 17 per cent and 25 per cent respectively.

Mr Laurence Orbach, chairman, said that although UK markets remained subdued, orders for delivery in 1995 were running well

ahead of the same time last year.

Sales last year reached £57.9m (£49.6m) and profits grew from £5.02m to £6.28m. Earnings per share came to 20.8p (19.7p) and the recommended final dividend is 4.3p (4p) for a total of 6.3p (6p).

Consistent with group policy of writing off goodwill on acquisition, gearing at the year end stood at 87 per cent (27 per cent).

## Montanaro Trust

Société Générale Strauss Turnbull Securities has launched a placing in the Montanaro UK

Smaller Companies Investment Trust.

The placing, which is not underwritten, is for a minimum of 25m ordinary shares at 100p apiece with warrants attached on a 1-for-5 basis.

Each warrant will confer the right to subscribe for one ordinary share on the subscription date in any of the years 1997 to 2006 inclusive.

The fund, which will be managed by Mr Peter Searight, formerly of Clerical Medical Pedigree Growth Trust, will invest in quoted companies capitalised at less than £100m.

## AT THE CENTRE OF BUSINESS

GWR GROUP PLC
Acquisition and Takeover
£18m
January & June 1994

TJH GROUP LTD
Disposal
£50m
September 1994

INCHCAPE MOTORS INTERNATIONAL PLC
Disposal
£30m
December 1994

LEVINGTON GROUP LTD
Management Buy-Out
£50m
July 1994

METROLINE HOLDINGS LTD
Management Buy-Out
£20m
October 1994

SINGER & FRIEDLANDER GROUP PLC
Cross border Acquisition and Placing
£93m
December 1994

## IN THE HEART OF THE CITY

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## ROLLS-ROYCE ANNUAL RESULTS



● Profit before tax £101 million, (1993: £76m).

● Sales £3.2 billion (1993: £3.5bn).

● Full year dividend 5.0p per share (unchanged).

● Net cash £285 million (1993: (restated) £397m).

● Order book £5.9 billion (1993: £6.2bn).

"Our 1994 results, despite lower sales, reflect both the greater efficiency arising from our continued restructuring and the successful development of the Trent 700 and 800 engines, which have passed significant milestones in the past year.

"Conditions in our two principal business areas, aerospace and industrial power, remain depressed and we expect little improvement before 1996 at the earliest. However, our new and competitive product range and sound order book give us the confidence to look forward with optimism."

SIR RALPH ROBINS, CHAIRMAN

## Group Profit and Loss Account

	Year to 31 December 1994	Year to 31 December 1993
	£m	£m
Turnover	3,163	3,518
Profit before taxation	101	76
Taxation	(20)	(18)
Attributable to minority interests	-	5
Profit attributable to shareholders	81	63
Dividends	(61)	(56)
Transferred to reserves	20	7
Earnings per ordinary share	6.62p	5.95p

Dividend:  
The Directors recommend a final dividend of 3.0p per share (1993: 3.0p per share) making a total dividend for 1994 of 5.0p per share (1993: 5.0p).

## Group Balance Sheet &amp; Cash Flow

		Restated
	£m	£m
Net cash balances/(borrowings)	285	397
Cash (outflow)/inflow	(112)	408*
Equity shareholders' Funds	1,242	1,225

Notes:  
The figures for 1993 have been restated to reflect the requirements of Financial Reporting Standard 5 and the reclassification of obligations under finance leases as borrowings.

\*Includes £307m rights issue proceeds

ROLLS-ROYCE plc, 65 Buckingham Gate, London SW1E 6AT.

Financial data for the year to December 31, 1994, has been audited by the full Group Accounts for that period. The 1994 accounts, which received an auditors' report without qualification, have not yet been delivered to the Registrar of Companies. Further details will be made available in the annual report which will be posted to shareholders by the end of April 1995.



## COMPANY NEWS: UK

Reorganisation costs and hostile trading conditions behind downturn

## Willis Corroon tumbles to £5.6m

By Ralph Atkins, Insurance Correspondent

Willis Corroon, the insurance broker, yesterday announced a higher than expected exceptional charge of £49.1m for a reorganisation programme involving 800 job cuts and aimed at correcting "disappointing" profits.

The group also warned that £7m would be wiped off this year's profits by problems in its US lawyers' professional liability insurance business.

Announcing its results for 1994, Willis said 500 jobs had already been cut from its worldwide workforce of 11,480 as part of a restructuring exercise launched last year and originally forecast to cost £40m. This had resulted in annual savings of some £20m.

The group said it expected overall cost reductions of £28m in 1995 and £39m annually

thereafter. After exceptional costs, the group reported pre-tax profits of £5.6m against £76.2m last time.

Willis, like other insurance brokers, has been hit by increasingly hostile trading conditions with clients putting downward pressure on commissions, expecting a higher level of service, or reducing their reliance on insurance for financing risk.

However, Willis described new business growth as "excellent". It was also seeking to strengthen its balance sheet by arranging the sale and partial leaseback of its US headquarters in Nashville and finding a buyer for its 36 per cent stake in Gryphon, the US underwriting company. Willis aims to reduce its gearing from 84 per cent to below 50 per cent.

The group is also being refocused into five client-oriented business segments - global

specialisms, UK retail, North American retail, US wholesale and international.

Profit centres within those segments have been set target figures for operating profits as a proportion of revenue of not less than 15 per cent. That compares with 8.6 per cent for the group in 1994 and 2.2 per cent in North America.

Willis also announced the resignation from its board of Mr Donald Payne, who until late last year had been overseeing the US retail broking arm.

Brokerage and fee turnover from continuing operations grew from £664.3m to £670m. Operating expenses of continuing operations increased by an underlying 3 per cent after allowing for £20.7m of development expenditure, including £4.2m for rebuilding its US construction team.

Earnings per share, excluding exceptional items, were

7.9p and an unchanged first quarter dividend for 1995 of 1.65p is declared.

## COMMENT

Willis Corroon has acknowledged that tough trading conditions and disappointing profits require a bold response. But the group has yet to prove its cost-saving exercise can bring the improvement in profitability it seeks across the business.

Scepticism about the future quality of earnings is not helped by announcements of difficulties such as with US lawyers' professional liability insurance. Meanwhile, balance sheet constraints mean little prospect of a dividend increase this year or even next. A prospective multiple of about 13 on 1995 pre-tax profits of £75m is a little high compared with other brokers, justifying the cautious response to yesterday's results.

## Goodman consortium in £45m buy-back

By John McManus in Dublin

Mr Larry Goodman, the Irish beef entrepreneur, has put together a consortium of Irish businessmen and a US fund, Morgans Waterfall, to buy back 60 per cent of Goodman International from a syndicate of 33 banks for £45m.

The banks took the stake in Ireland's largest beef processor in 1991 after it collapsed with debts exceeding £200m.

The individuals putting up the money include the McCann family, which controls Fyffes, the international fruit company, which will take up to 14 per cent. Two brothers, Mr Jim and Mr Pat Gleeson, who control Gilbro Trading, a Swiss-based commodities trader, will also take 14 per cent. Two other Irish businessmen, Mr Brendan McDonald and Mr Jim Monaghan, will take 8 per cent each.

Mr Goodman's stake in the company will fall from 40 to 38 per cent, while Morgans Waterfall will take the remaining 18 per cent.

Under the terms of the deal, any of the new shareholders wishing to sell must first offer their shares to other shareholders, a mechanism which will allow Mr Goodman to increase his stake in the company.

Mr Goodman previously owned 95 per cent of Goodman International, which has turnover of £180m, prior to it getting into difficulties in 1990, when the Iraqi government reneged on a £175m export contract after the outbreak of the Gulf war.

Mr Goodman will remain as chief executive of the company, but the new board is expected to include representatives of the incoming shareholders. Mr Ian Morrison, a former governor of the Bank of Ireland, will be replaced as chairman by Mr Beryl Cahill.

## Enterprise falls to £71m after Lasmo bid costs

By David Lascelles, Resources Editor

Enterprise Oil, the independent oil company, produced unchanged after-tax profits of £86m in 1994. But the £24m costs of its unsuccessful bid for Lasmo dragged the final result down to £71m.

The company is proposing a total dividend of 16p, also unchanged.

Mr Graham Hearne, chairman and chief executive, described it as a year of "mixed fortunes" with the disappointment over Lasmo offset by successes on the operational front.

Production was up 27.5 per cent to a record 181,000 barrels of oil equivalent a day, boosted by the newly started Nelson and Scott fields. Total production for the year of 66m boe was replaced by newly booked reserves of 81.7m boe resulting from exploration and production activities.

Operating costs per barrel were £2.83p, down 16.5 per cent on the previous year. Drilling activity nearly doubled to 23

exploration and appraisal wells. Cash flow was strong, up 26 per cent to £407m.

Against this, Enterprise suffered from the weaker oil price: it averaged £10.34p per barrel, down from £11.53p in 1993. It also took an £18m loss through its one third share in Elf Enterprise, the joint venture which was hit by lower oil prices, high interest charges and lower carrying values. The Lasmo provisions were taken at the interim stage.

Mr Hearne said that Enterprise had a strong balance sheet and a high quality portfolio which would sustain production at about the 200,000 barrel a day level into the next century. Following the Lasmo setback, Enterprise would concentrate on seeking new opportunities to add value to the portfolio while maintaining the underlying strength of the business.

Earnings per share slipped to 11.7p (17p).

## COMMENT

There were no surprises in

these results, and the shares ended the day little changed. The big question hanging over Enterprise is, where next after Lasmo? Mr Hearne's statement was sufficiently vague to leave open any number of possibilities from reshuffling the portfolio to launching another large takeover bid. The strategy in the medium term, at least, seems to be to develop "core areas" outside Enterprise's traditional operating area in the North Sea. This could mean the Black Sea or further afield in east Asia and Latin America where an independent oil company might be welcomed as an offset to the oil leaders. But even if uncertainty clouds the picture, Enterprise does have a solid base, with strong production and a firm grip on costs. The unchanged dividend also suggests a desire to plough profits back into the business rather than pay out shareholders.

Analysts are forecasting flat to slightly higher earnings this year, with a yield about the 5 per cent mark.

## Raine halves dividend as profits dive

By Andrew Taylor, Construction Correspondent

Raine, the housebuilder and contractor, yesterday halved its interim dividend after announcing a 99 per cent fall in pre-tax profits from £3.44m to £1.06m in the six months to December 31.

The company, which is reshuffling its management, plans to sell its interiors contracting and manufacturing businesses as well as its remaining UK commercial property interests.

The disposals, which are expected to raise about £20m, could involve a £35m to £40m goodwill write-down say analysts, who expect pre-tax losses for the full year of up to £45m, including reorganisation costs.

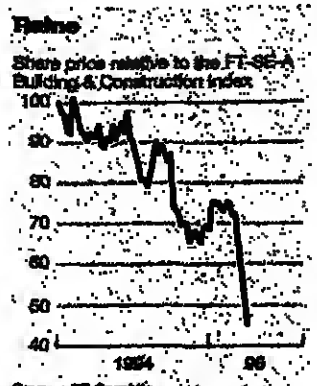
The company also plans to sell its loss-making southern Californian housebuilding business, which has been hit by rising unemployment in the

region and by the 1994 Los Angeles earthquake. This had restricted access to housing sites.

Mr Derek Parkin, who is standing down as chairman to resume duties as chief executive, blamed the profits decline on the poor figures from California, where losses deepened from £605,000 to £1.25m, and on reduced spending by UK shops on refitting interiors which caused losses at Plumb Contracting to rise from £361,000 to £1.03m.

The company's share price slumped by a further 17p yesterday to 30p. This compares with peak of 99p in March last year.

Earnings per share fell from 1.06p to 0.38p, leaving the interim dividend of 0.5p uncovered. Mr Parkin said he expected sufficient earnings from continuing business to pay a covered dividend for the full year.



Source: FT Graphics

He defended the decision to reshuffle management rather than replace individuals, saying that the people with the best skills had been placed in the right jobs.

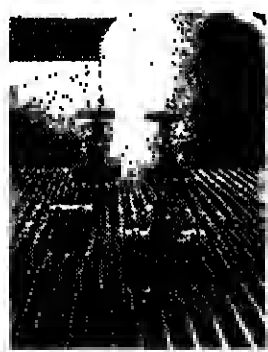
Mr Roy Barber, non-executive director since 1990, becomes non-executive chairman; Mr David Vincent, previously group managing director, takes over the Hall and Tawse general contracting division; Mr John Bancroft, previously finance director, takes responsibility for the US housing business. Mr Neil Fitzsimmons, previously head of group finance, becomes finance director.

The best-performing division was Hassall Homes, the private housebuilder, which increased profits by 24 per cent from £4.33m to £5.37m. The company, however, remained cautious about prospects following a 10 per cent fall in sales during the first nine weeks of this year.

In spite of increased sales, profits from social housing fell in the first half from £1.32m to £264,000 because of increased material costs and intense competition.

General contracting also made a reduced profit of £92,000 (£330,000).

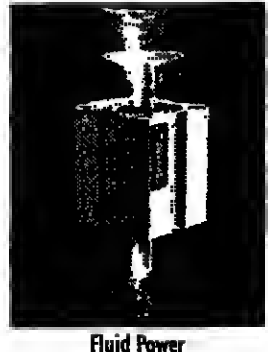
## IMI FULL YEAR RESULTS



Building Products



Drinks Dispense



Fluid Power



Special Engineering

"It is pleasing to report an increase in pre-tax profits of 19% to £85.3 million before exceptional items."

Sir Eric Pountain, Chairman

FULL YEAR TO 31 DECEMBER	1994	1993
Turnover	£1,161m	£1,065m
Profit before exceptional items	£85.3m	£71.7m
Profit before tax	£50.3m	£70.2m
Adjusted earnings per share	16.4p	14.5p
Earnings per share	6.0p	13.8p
Dividend per share	10.5p	10.0p
Gearing	21.8%	25.2%

"Our financial position is strong. This provides the springboard for future growth through acquisition and for a continuing high level of investment in plant and equipment..."

...In Building Products, Drinks Dispense and Fluid Power we have excellent international and market positions in businesses where there is scope to broaden the product range and geographical coverage...

...The combination of excellent products, sound finances and people committed to growth and success, gives me considerable confidence in the future progress of IMI."

Gary Allen, Chief Executive

IMI plc, PO Box 216, Birmingham B6 7BA. Telephone: 0121 356 4848

IMI

## Sales cut vacant space as Mucklow declines to £5.25m

By Patrick Haveron

Despite a sharp drop in vacant office and industrial space, A&J Mucklow, the property development and investment company, reported a dip in interim pre-tax profits from £5.28m to £5.25m.

Rental income and turnover rose £300,000 to £10.9m.

The decline in vacant space from 1.05m sq ft to 769,000 sq ft failed to feed through to higher profits primarily because more than a third of the decrease came from the disposal of 17 nursery unit industrial estates rather than from letting. The units were sold in December for £20m, producing a profit over book value of £340,000.

Analysts said the disposal indicated Mucklow's desire to move away from letting smaller units, with their short leases and high turnover of tenants, to larger units, such as the 45,000 sq ft factory and office block and the 27,000 sq ft offices that are soon to be

completed in Saitley and in Edgbaston.

Mr Albert Mucklow, chairman, said that the money raised from the nursery units sale would release funds for "reinvestment in property with better prospects for growth in income and capital value".

Earnings per share rose to 3.91p (3.77p) and an interim dividend of 3.145p (3.051p) is declared. Analysts expect full-year pre-tax profits of £10m, about the same as last time.

## Kode £9.1m in loss

Kode International, the printed circuit boards maker, fell from pre-tax profits of £1.14m into losses of £9.12m in 1994.

Turnover was little changed at £24.8m (£24.9m) with discontinued operations contributing £5.95m (£5.47m).

Losses per share came through at 96.5p (7p earnings) and there is no dividend for the year (6p).

## Cornwell Parker sinks into the red

By David Blackwell

Cornwell Parker, the furniture group best known for its Parker Knoll range, has plunged into the red following a provision of almost £2m for a factory closure.

The group, which has cut the interim dividend from 1.7p to just 0.3p, is closing one of its north London factories and shedding 80 jobs. The shares yesterday fell 14p to 72p.

The pre-tax loss for the six months to the end of January was £1.94m on sales of £42.4m, compared with a profit of £1.26m on sales of £43m.

The furniture division incurred a trading loss of £490,000 (£676,000 profit) on sales slightly down at £22.5m (£22.7m). The group blamed the depressed UK market.

The fabrics division, which exports 33 per cent of production, lifted trading profits from £260,000 to £283,000 on sales of £19.9m (£20.3m).

Redundancy costs amounted to £316,000. Losses per share were 3.6p (earnings of 1.8p).

Notice of Partial Redemption  
Cardiff Automobile  
Receivables Securitisation  
(UK) No.2 plc  
£185,000,000  
Class A Floating Rate Notes due 1997  
and  
£25,000,000  
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due 1997  
Notice is hereby given that in  
accordance with the Conditions,  
the following Notes have been  
redeemed on 8th March, 1995:  
Class A Notes £136 Notes  
(Value £13,560,000)  
Mortgage Notes £19 Notes  
(Value £1,900,000)  
Bankers Trust  
Company, London Agent Bank  
8th March, 1995

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FT Surveys



## COMPANY NEWS: UK

## Hilldown pay-out rise the first in four years

By Roderick Oram,  
Consumer Industries Editor

Hilldown Holdings' reluctance yesterday to spell out its strategy once it sells Maple Leaf Foods, its Canadian subsidiary, took the shine off the food group's solid set of results.

"The company has come a long way in the past two years cleaning up its act," one analyst said. "But they should have outgrown that. They are stalled at a level with financial criteria driving the strategy."

Analysts had few concerns about the past year's results reported yesterday but the question mark over the future left the shares down 7p at 173p.

Pre-tax profits rose 6 per cent to £182.3m, as the City had forecast, while a larger final dividend of 7p (8.8p) than expected was proposed. The total pay-out for the year is 9.2p (8.8p), the first rise in four years. Earnings per share emerged at 14.5p (13.6p).

Strong profits from poultry and housebuilding helped Hilldown overcome a sharp setback in red meats and slight weakness in European chilled and ambient foods.

Hilldown is due to receive between C\$623m (£274m) and C\$680m from selling its 56 per cent stake in Maple Leaf Foods to the Wallace McCain family and the Ontario Teachers' Pension Plan Board.

The deal should be broadly

earnings neutral with lower interest charges, minorities and tax rate offsetting the loss of Maple Leaf's earnings, management said. Net debt would fall to under £100m from £275.7m and gearing to under 10 per cent from 42 per cent.

Building on its success with bolt-on acquisitions in recent years such as the Maternie-Fruibourg French jam business, Hilldown said it would expand in European foods once it had left Canada. "We will seek out medium-sized transactions," Sir John Nott, chairman, said yesterday.

Hilldown would also seek pursue its twin-track approach of being a low-cost own-label food producer while building up its brands, including Typoo tea, Cadbury biscuits and Chivers jams. But it was unlikely to buy the Tetley tea business Allied Domecq was selling, management said.

The black spot last year was the European meat and produce division where operating profits were halved to £3.8m despite an extra £1m contribution from produce. The meat trading business was by its difficult conditions, and the management of Harris, the pork and bacon business, "shot themselves in the foot," Mr John Jackson, deputy chairman said, by losing control of costs. Senior management in Harris and the overall meat division have been replaced.

Poultry profits rose 24 per cent to £35.4m with efficiencies improving margins while sales also rose. Eggs and chicken breeding were also ahead.

Profits from European ambient and chilled foods slipped 3.5 per cent to £36.7m. Nadder, the German salad maker, became a market leader while rationalisation of the UK canning industry brought higher utilisation to Hilldown's plants.

European beverage and biscuit profits rose 6 per cent to £19.2m. A sharp increase in advertising spending helped lift a number of brands: Typoo, a distant number three, clawed back 4 per cent of points of last market share.

### COMMENT

Hilldown's management has brought order to its motley collection of businesses and is running many of them well. Its shares are worth buying for their 7 per cent yield. Post-Maple Leaf, pre-tax profits this year could be around £155m, give an undemanding multiple of 11. But the markets are hungry for the next course and are uncertain that management has the recipe. On the one hand it wants to be a low-cost own-label producer, and on the other it wants to push brands. Even companies with better brands and deeper management find that a tricky strategy to straddle.

## SGI float halted by main holder

By Andrew Baxter

SGI, the steel products group, has been forced to drop plans for a flotation after Philbrew Ventures, its main shareholder, refused at the eleventh hour to accept what it believed was too low a price.

The flotation would have raised £27.5m for the company, giving it a value of about £45m. Yesterday was due to have been "impact day" when the issue would have been priced.

The decision was blamed on adverse market conditions. "I am very disappointed," said Mr Eddie Ross, chairman and chief executive. "It was simply a price issue, the flotation just got killed by the market."

Philbrew, which owns 54 per cent of SGI and led the management buy-in in 1989, said the "big issue" was the flotation of Albright & Wilson. It floated at a valuation of just £470m - and a p/e of 10 - compared with an original target of £600m.

Philbrew said it had "no intention of floating any of our industrial holdings at anything less than fair market value. SGI has extremely interesting business prospects in its fast-growing wire division and an excellent recovery position in its rebar operations both here and in North America."

It also saw "no point whatsoever in entertaining trade interest in the company."

The venture capital company said it had wanted a historic p/e of 13, and a prospective ratio of 9. There was no point in testing what level below that would have secured success for the flotation.

Margins pushed up despite increases in raw materials prices

## Courtaulds Textiles ahead to £47m

By Motoko Rich

Courtaulds Textiles, the UK's second largest clothing and fabrics manufacturer, kept the impact of raw material price rises to a minimum and pushed margins ahead as it lifted 1994 pre-tax profits 22 per cent from £38.8m to £47.3m.

The group overcame interim losses from its hosiery and sock acquisitions, which contributed £91m in sales and £2.7m in operating profits.

Pre-tax profits on continuing businesses - enhanced by acquisitions in 1993 and 1994 - were up by 30 per cent, helped by reduced interest and reorganisation costs. On turnover up 14 per cent to £1.06bn (£928.1m), the group improved margins to 5.4 per cent (4.7 per cent).

Mr Noel Jervis, chief executive, said: "In terms of raw materials and margins, our message is so far, so good." He

said the group's international profile made it possible for the company to shop around for better raw materials prices.

The company had bought forward in anticipation of price rises this spring, and Mr Jervis said the company would re-engineer its products to adjust to cost increases.

All divisions improved profits, with branded clothing - which includes the hosiery and sock businesses - increasing profits before interest by more than 10 times the 1993 level.

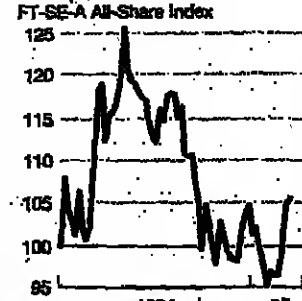
The performance of Georges Rech, the prêt-à-porter fashion house, and Contessa, the lingerie retail chain, continued to be "unsatisfactory", but Georges Rech returned to break-even in the second half.

Courtaulds' ladies' hosiery brands increased market share and Well, the French brand, became joint market leader.

Own-label clothing improved profit before interest by 8 per

Courtaulds

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

### COMMENT

Courtaulds Textiles is bullish about its ability to continue to achieve margin targets, but second-half raw material price rises could put a squeeze on a company which has been adept at getting more out of mature businesses. Although the hosiery business performed better than its market in the second half, there could be a long-term problem looming as technology improves. What is a boon to buyers in the form of more durable hosiery is bad for manufacturers who count on frequent purchases. Still, the company has made some smart decisions in withdrawing from less profitable lines to become tightly focused on knitting-based products. Pre-tax profits are forecast at £55m for this year, with earnings of 38.5p. A forward multiple of 11 is at a 10 per cent discount to the market, but for a sector which has been de-rated the price is where it should be.

## Alliance & Leicester advances 39%

By Alison Smith

Alliance & Leicester, the UK's fourth largest building society, plans to set up a general insurance subsidiary next year.

Mr Peter White, chief executive, signalled the move as he announced a 39 per cent rise in pre-tax profits for 1994 to £284m, against £204.4m.

He said this type of insurance was a core business, in which the society already had marketing and distribution. It was still examining how best to set up the operation, but did not intend to take all the risk on to the balance sheet.

The move follows the government announcement last year that societies would be given new powers to wholly own a general insurer dealing in personal lines.

The profit rise reflects an aggressive year for the society in the mortgage mar-

ket, where its net lending of £1.1bn represented 11 per cent of societies' mortgage lending. Its normal market share is about 7 per cent, and the contrast is even greater with 1993, when its market share was just 3 to 4 per cent.

The society was less active in the personal savings market, though it took in some £78m in net retail receipts.

During the year it benefited from the transfer of £1.3m in personal balances as personal customers at Girobank, the bank which A&L owns, were transferred to the society. Girobank's pre-tax profits for 1994 totalled £68m.

Total income rose only slightly - to £381.7m - but provisions for bad and doubtful debts fell by more than three quarters to £28.5m.

The steepest fall within this total was in provisions against losses on residential

loans, which fell from £70m to £7m.

Mr White said he expected the provision charge to remain at about £29m to £30m for this year, but that over the longer term it might rise slightly, following new restrictions the government planned to introduce on mortgage help for people claiming income support.

Costs rose by just over 4 per cent to £227.1m. There were also exceptional costs of £31.8m for re-organising the business and closing the Hove office.

The overall cost/income ratio rose slightly from 63.34 per cent to 64.9 per cent. This is not directly comparable with that of other societies, since the mix of business includes the money transmission operation of Girobank.

Mr White said the cost/income ratio might be marginally higher again in 1995, but it should then begin to come down.

## Maple Leaf will take on debts of up to C\$575m

By Bernard Simon in Toronto

Maple Leaf Foods' annual results, published yesterday, indicate that Hilldown Holdings may be unloading its 56 per cent stake just as efforts to inject new vigour into the Canadian food processor seem to be bearing fruit.

At the same time, however, there is considerable nervousness about Maple Leaf's long-term prospects.

The proposed deal to transfer control to a group led by Mr Wallace McCain, the recently ousted chief executive of his family's frozen food empire, would transform Maple Leaf from an over-capitalised company with ample resources for expansion into one with a heavy debt burden.

Even the McCain camp acknowledges that more upheavals may be in the offing if Maple Leaf's long-term competitiveness is to be assured, especially in its flour milling business.

Another risk is that Mr McCain could be distracted by the continuing feud with other family members. His brother Harrison has reacted to the

offer for Hilldown by demanding Wallace's resignation as a director of McCain Foods and dismissing his son as head of McCain's US arm.

After a flat performance in recent years, Maple Leaf's profits after tax jumped to C\$26.8m (£11.8m), or 33 cents a share, in the final three months of 1994, up 20 per cent from C\$22.9m a year earlier. Post-tax profits for the year were C\$75.7m, up from C\$70.1m in 1993.

Cash flow is strong and the company had C\$184m net cash at the end of last year.

Hilldown has cut a swathe through Maple Leaf since it bought control in 1990, selling businesses, restructuring others and making extensive management changes.

Earnings are expected to improve substantially this year. The rise should come partly from the buoyant North American economy, but also from savings generated from the closure of a large but inefficient meat-processing plant in Toronto, and the earlier sale of several loss-making businesses.

Mr McCain, backed by the Ontario Teachers' Pension

Plan and Toronto-Dominion Bank, has offered a combination of cash and shares for Maple Leaf. Hilldown would receive a maximum of C\$680m cash and a minimum of C\$223m, with a stake of 10 per cent in a new company.

Up to C\$700m of the cash component would be financed through bank loans, transforming Maple Leaf's balance sheet as it would take on long-term borrowings of C\$75m.

According to Mr Brian Lomas, analyst at Scotia-McLeod, Mr McCain "is going to get a C\$31m company with C\$150m of his own money. It's not the best thing that could have happened to Maple Leaf's shareholders."

But Mr Archie McLean, a former McCain executive who will join his former boss in the new company, commented: "All my life I've worked with a balance sheet that had 60 to 70 per cent debt, and that didn't inhibit our growth."

Even so, Mr McLean added that Maple Leaf's businesses, which range from fresh meats and bakery mixes to property development, may need a sharper focus.

### JOHN LEWIS PARTNERSHIP plc

Department stores and Waitrose supermarkets

Preliminary unaudited results for the year to 28 January 1995

#### 25% PROFIT INCREASE

	1994/95 £m	1993/94 £m	change %
Sales	2575.5	2420.0	6
Trading Profit	141.3	116.5	21
Interest	24.5	23.3	
Profit before tax	116.8	93.2	25
Taxation	22.5	16.2	
Preference dividends	0.2	0.2	
Surplus available for profit sharing and retentions	94.1	76.8	23
Retentions	51.1	42.3	
Partnership Bonus	43.0	34.5	

Profit sharing  
All the equity capital of John Lewis Partnership plc is held in trust for the benefit of the workers in the business.  
The profit remaining after taxation, preference dividends, pensions and allocations to reserves is distributed yearly among the workers as Partnership Bonus in proportion to their pay. This year the rate of distribution will be 12% of pay (1993/94 10%).

For further details telephone 0171-828 1000 extension 6220.

## The British company that achieved 1994 worldwide Sales

from continuing operations of

£9,111m - up 12.2% on 1993.

## Profit before Tax of

£1,412m - up 10.8% on 1993.

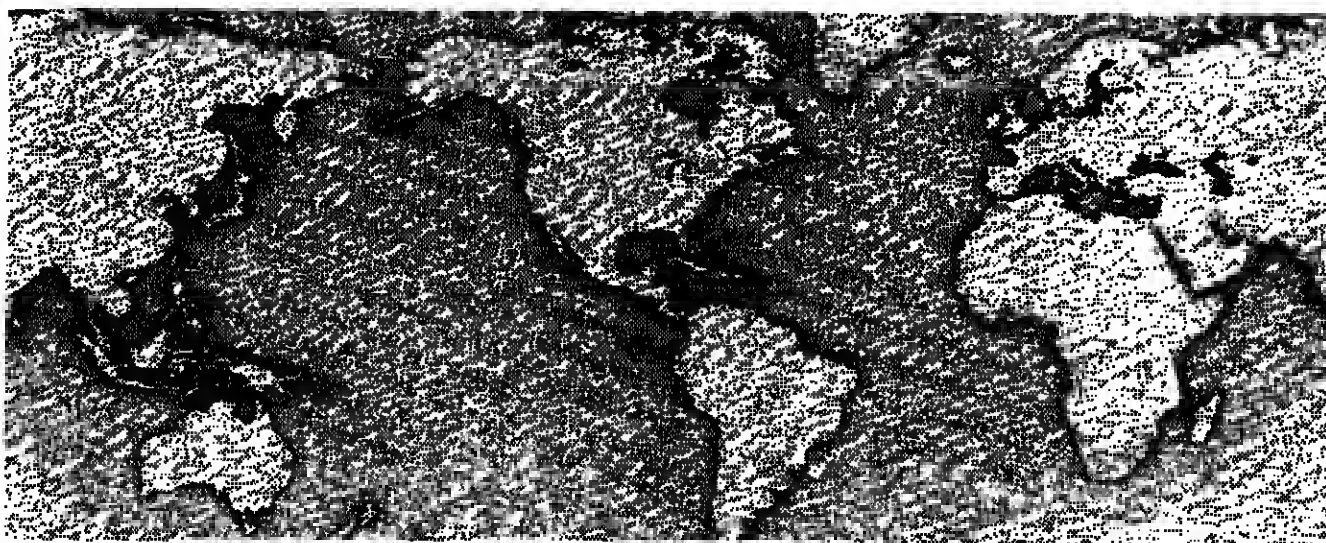
## Earnings of

£871m - up 8.6% on 1993.

## Capital Expenditure was

£537m - up 5.1% on 1993.

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## COMPANY NEWS: UK

## IMI poised to embark on acquisition trail

By Paul Cheswright,  
Midlands Correspondent

IMI, the engineering group, is about to enter a period of expansion through acquisition, most likely in continental Europe and the US.

"We have a lot of confidence for 1995 - to maintain the organic growth of the company and to look quite hard at acquisitions," said Mr Gary Allen, chief executive, yesterday.

"We've got three groups in particular which are cohesive world groups. There is the opportunity for acquisition," he added, referring to IMI's building products, drinks, defence and fluid power sides.

IMI also announced 1994 pre-tax profits of £50.3m, a figure reached after an exceptional, but expected, charge of £35m caused by withdrawal from the computer business. Pre-tax profits in 1993 were £70.2m.

The result, which was in line with market expectations, reduced earnings per share to 6p (13.8p) but did not deter IMI

from lifting its final dividend to 6.1p, making a total of 10.5p (10p).

During the year gearing fell from 25.2 to 21.8 per cent. Since then it has fallen to less than 19 per cent following the £25m sale of the first phase of the

Holford Estate in Birmingham. Mr Allen said IMI had "the best of both camps" in terms of funding possibilities for acquisitions.

Apart from IMI's borrowing capacity, he hinted at the possibility of a rights issue. If IMI expands in east Asia it will be through organic growth and joint ventures.

"The US and continental Europe have been the most successful for growth in terms of acquisitions and that's where we're looking the hardest," Mr Allen said.

Those regions provided about half of turnover of £1.16bn (£1.06bn). Operating profits on continuing operations were £100.4m, against £94.9m.

The building products, drinks, defence and fluid power divisions all increased

operating profits as markets and order books improved, but the special engineering division was dragged down by continuing losses on titanium and alloy tube production.

### COMMENT

IMI is chippy about prospects: the market improvement it noticed in 1994 has continued into 1995. Now that the group has wrapped up its unfortunate diversification into computers, the main impediment to earnings growth is the perennial problem of its titanium operation and it is not much use looking for any improvement there until 1996. But the momentum of the markets, coupled with past work to contain costs, will make 1995 a good year with pre-tax profits moving towards £110m and earnings per share towards 21.5p. After yesterday's fall to 20p, the prospective multiple of 13.7 eases the high rating on which the shares have traded. Further falls would make them worth buying.

## Norwich paves way for market flotation

By Tim Burt

Norwich City has become the latest football club to unveil plans for a rights issue and possible stock market flotation.

The East Anglian side, currently eighth from the bottom of the Premiership, told investors this week it planned to overhaul the company to clear the way for a fundraising exercise to pay for ground improvements and non-footballing activities like merchandising.

"There is a clear need to restructure," said Mr Robert Chase, chairman. "Not least the club joining a formal market regulated by the London Stock Exchange."

Norwich is thought to be considering a listing on the Alternative Investment Market, the replacement for the Unlisted Securities Market which is due to open this summer.

As part of the restructuring, the club has offered to buy back shares of less than 250 ordinary shares and its entire preference share capital, issued in 1983.

To pay for this, Mr Chase said the company would issue 47,000 new ordinary shares at £10 each, a 200p discount to the current valuation. Shareholders who wish to sell existing holdings will be offered £13 per ordinary and £1.20 for each preference share.

## SEP chairman sees growth

Shares in SEP Industrial Holdings, the engineering group, rose by 5p to 44½p yesterday after Mr Paul Forth, chairman, said profits for the current year were likely to be significantly above current market expectations.

He was confident that, if present trends continued, the current year would see an acceleration in the actual rate of profit growth.

Exceptional profits of £689,000 on asset disposals helped lift the pre-tax figure from £2.08m to £3.77m for the year to September.

## All a matter of preferences

The recent financial rescue of a small British mortgage company has exposed a bitter rift between some of the City's largest merchant banks and the growing number of professional arbitrageurs, the speculative investors who have moved into the London market in recent years.

When National Home Loans, the centralised mortgage lender, pushed through a £50.3m rights issue and capital reconstruction last month, its financial advisers hailed the package as a victory for mainstream institutions against a number of fund managers - many of them based offshore - who claimed they had been bounced into an unfair settlement.

If such investors can muster more than 25 per cent of the preference shares, they can block any proposal put forward by the company and dictate the shape of the restructuring.

That rule, enshrined in the Companies Act, has caused increasing concern among some companies and financial advisers which feel it gives too much leverage to arbitrageurs.

Knowing that the "arbs" were keen to block a reconstruction, NHL gave investors a stark choice: "Back us or face a run down [liquidation]."

Echoing similar warnings last year by property groups Heron International and Ascot Holdings, Mr Jonathan Perry, NHL's chairman, warned: "If we can't go forward with this restructuring there will be no dividend payments at all, the company would face a run down and the prospects of capital repayments would be uncertain."

The deal, however, was condemned by a vociferous group of arbitrageurs. They complained that the proposals - in which they were asked to waive £24m in dividend arrears in return for a 3-for-1 conversion to ordinary shares and a favourable rights issue - were mean and represented an attempt to ignore the rights of preference shareholders.

The row centres on the power speculative investors can exercise over a company's future after buying cheap preference shares from institutions seeking an exit route. Even though most of the arbitrageurs paid considerably less

than the £1 issue price for each convertible preference share - trading at 33½p on Friday - they felt the 45p conversion value was insufficient.

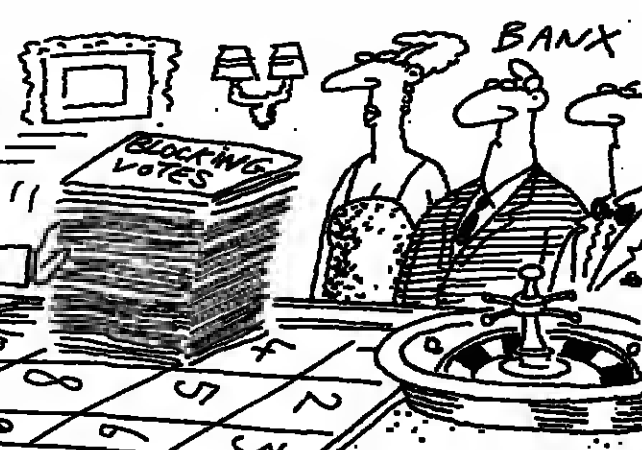
"The City has not done itself any favours by treating us so shabbily," one investor warns. "This has shown that companies have written off the rights of preference shareholders when it comes to conversion."

NHL's chairman disagrees. Advised by SG Warburg, Mr Perry says: "They felt they had a moral right to everything. But in fact, they only have real power in a winding up. It was wrong to think that a preference share is a lifetime guarantee of good performance."

His comments have been criticised by Klesch & Company, the London-based bank debt trader, which claims NHL's tactics reflect a growing trend of companies ignoring investors' interests.

"Preference shareholders are being treated in a very off-hand way," says Mr Jeff Summers, director of research of Klesch. "Nine times out of 10, preference holders roll over and die because most of them are also lenders and ordinary shareholders in the same company. They see it as a damage limitation exercise. But that means small investors get absolutely screwed."

Warburg rejects the accusations. Like Mr Perry, it believes the arbitrageurs should not be allowed to derail plans which do not meet their expectations.



"To try to knock down a solution that has been put in place with substantial financial engineering and sub-underwriting would have been foolish in the extreme," says Mr David Beever, vice chairman at the merchant bank.

He led preference shareholders - led by investment houses including Gruss & Partners, Everest Capital and Seligman Harris - mustered enough votes to block the reconstruction and rights issue, it would also have forced the company to renegotiate a £160m refinancing package agreed with its 64 bank lenders.

Indulgent of that threat, Warburg and James Capel actively lobbied shareholders to win their support.

"Financial advisers are now being more aggressive in running campaigns against hedge funds," according to Mr John Cryan, a director at Warburgs. "It would have done our reputation no good had the company's proposals been turned down. We didn't want to lose."

His view is echoed by Mr Beever, who adds: "The play is between reconstruction and liquidation. But if you don't have a strategy to deal with the arbitrageurs you're going to get killed."

In NHL's case, that strategy involved a determined effort to persuade institutional investors that the proposals were fair to all shareholders and were the best chance of reviv-

ing the company. When it came to the vote, such institutions agreed, defeating the arbitrageurs by winning 80.5 per cent of the votes cast at a recent extraordinary meeting.

Having failed in similar attempts to influence the reconstruction of Heron and Ascot Holdings, some arbitrageurs claim they are being squeezed as part of a concerted strategy by large institutions.

Others warn that in future reconstructions, arbitrageurs would work together to ensure they could get the 25 per cent of votes necessary to prevent the company pushing ahead with its proposals.

The power of that blocking vote has been demonstrated already in the long-awaited reconstruction of Wembley, the stadium and greyhound track group. Guinness Peat Group, the UK investment vehicle of New Zealand financier Sir Ron Brierley, has used its 26 per cent preference share holding to demand the demotion of Sir Brian Wolfson, the chairman, as its price for supporting any refinancing.

The move may indicate that opportunistic buyers of preference shares in distressed companies have had enough of being pushed around.

"We've lost a couple of battles," according to one. "But sooner or later we'll make sure that our rights are not being abrogated and when that happens some merchant banks and the stock exchange will not like the result."

## Arjo Wiggins buoyed by paper industry recovery

By Christopher Price

Continuing recovery in the paper industry helped Arjo Wiggins Appleton lift pre-tax profits by 78 per cent during 1994.

The Anglo-French paper group said that it also benefited from rationalisation measures set in motion during the downturn in the industry over the last three years.

The increase, from £122.1m to £217.1m, came on turnover up 7 per cent to £2.92m and was struck after an exceptional charge of £12m against its Spanish eucalyptus pulp arm.

Mr Alain Soulas, chief executive, said the company had so far successfully passed on rising pulp prices, which more than doubled during the year to over \$800 (£488) a tonne. However, he warned continuing upward pressure could create problems in the short-term.

"It is difficult to keep pace with the speed of the price rises," he said. "Margins could be affected." He expected pulp to reach \$1,000 a tonne by the year-end and also expressed concern over the high level of stocks being carried by customers who had bought ahead of the anticipated price rises.

Both Mr Soulas and Mr Cob Stenham, chairman, said they knew nothing of recent rumours speculating on the future of the 40 per cent stake held by St Louis, the French food group. There was also no new news in the search for a new finance director, a post vacant since Mr Tony Isaac resigned in October.

In Europe, there was increased demand across most of the group's paper manufacturing activities during the year, with turnover rising 4 per cent to £1.3bn (£1.25bn). While the coated papers division was

particularly strong, the specialty papers business was unable to pass on fully the pulp price increases and operating profits declined.

There was a more than three-fold increase in operating profits from paper merchandising to £36.8m (£12.9m), on turnover marginally ahead at £1.14bn (£1.04bn). The UK, France and Spain showed the strongest recovery.

Mr Soulas said the group's focus would continue to be on the development of specialty manufacturing and merchandising. "We intend to grow our high value added paper products. We are adding more processes to our paper which reduces the amount of the product reliant on the pulp price."

Earnings per share advanced from 7.5p to 17.9p, while the total dividend is raised to 7.25p (6.5p) via a final of 4.6p.

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By Damian Abratt

The family feud at Barr and Wallace Arnold Trust cost the motor and leisure group £1.62m, reducing operating profit from £5.99m to £5.06m on turnover up 12 per cent at £261m.

Brothers Nicholas and Robert Barr ousted Mr John Parker, chief executive, and Mr Brian Small, finance director, in

December. The brothers then joined the board. The group spent £1.3m on compensation and severance payments. A further £300,000 costs were related to enfranchising the non-voting A shares.

The brothers failed in their attempt to unseat Mr Malcolm Barr, the chairman and their uncle. He has since consolidated his position by temporarily taking on the chief executive's role. A strategic review, including whether the businesses should

demerge, should be completed in July.

Profits on disposals covered the charges to leave 1994 pre-tax profits at £5.7m, a rise of 26 per cent. Motor distribution contributed £3.3m.

Leisure and holidays suffered due to travellers' reduced disposable income and discounted holidays.

Earnings per share were 27.7p (22.7p). A final dividend of 8p gives an unchanged total of 11p.

### NEWS DIGEST

## MTL ahead but margins decline

MTL Instruments Group, the USM-quoted manufacturer of electronic safety equipment, lifted pre-tax profits for 1994 by 13 per cent but saw operating margins fall reflecting strong competition overseas and its move into Japan, writes Graham Deane.

On turnover ahead from £23.6m to £30m, including a small contribution from the Transition Technology and Telematic acquisitions, the pre-tax line rose from £4.33m to £4.9m.

"Substantial" start-up costs of its new sales company in Japan - "an expensive place in which to operate but an important long-term market for our products," according to Mr Ian Hutchison, chairman - led to operating margins falling from 16.3 per cent to 14.6 per cent.

Despite capital expenditure and the Telematic purchase in August, the group ended the year with net cash of £7.4m.

Earnings per share emerged at 17.6p (15.5p). A recommended final dividend of 2.8p brings the total to 4.7p (4.1p).

## Brandon seeks buys

Brandon Hire, the power tool and equipment hirer restructured last May following the purchase of JSL Fasteners, expects to make further acquisitions soon, writes Roland Adhams.

Pre-tax profits climbed from £228,000 to £716,000 in the eight months to December 31 - it has changed its year end from April 30. Profits would have been £828,000, but for a £716,000 exceptional charge from the sale of assets of the reorganising

merchandise division. Sales doubled to £6.51m (£3.17m).

Mr Brian Nathan, chairman, said Brandon had expanded its operations and horizons with the arrival of Mr John Laycock as chief executive, after the acquisition of his company

## British Biotech

British Biotech yesterday said it was confident that side effects in patients treated during trials of batimastat, one of the biotechnology group's most promising drugs, were not caused by the drug itself, writes Motoko Rich.

Mr James Noble, finance director, said that since the group suspended trials of the cancer drug at the advanced stage last month, it had gathered "more and more evidence" that a change in the manufacturing process, rather than the drug's biochemical action, had caused the side effects.

He said the company was seeking regulatory approval to resume tests in June. Trials of other strains of the drug, as well as of the group's oral anticancer drug, were proceeding satisfactorily.

Results of the first trials of the oral cancer drug will be announced at a meeting of the American Association of Cancer Research on March 21. Mr Noble said he expected to know whether the oral drug was having an effect on a range of cancers sometime this year.

British Biotech also announced third quarter pre-tax losses of £5.62m, against a deficit of £4.74m in the comparable period last time. This brings the losses for the nine months to January 31 to £17.9m.

## Horace Small

Horace Small Apparel, the maker of uniforms and corporate clothing, reported pre-tax profits of £3.02m on turnover of £74.2m for the year to December 31, writes Peter Franklin.

## Instem improves

Pre-tax profits at Instem, the USM-traded electronics and information systems group, edged ahead from £1.02m to £1.15m in 1994.

The advance was achieved on turnover of £16.8m (£19.3m), although Mr David Gare, chairman, stressed that the uneven nature of the projects business made comparisons misleading.

Order intake stood at a record £22m and should lead to increased sales this year, he added.

A proposed final dividend of 2.1p makes a total of 3.5p (3.1p), covered 4.8 times by earnings of 16.8p (14.8p) per share.

## Litho Supplies up

Pre-tax profits at Litho Supplies rose from £4.63m to £5.37m in 1994, on turnover of £61.6m, up from £60.2m.

Operating profits at the sup-

## Calderburn at £5m

Pre-tax profits more than doubled, from £2.11m to £5.06m, at Calderburn, the office products and specialised furniture group, in 1994.

The figures include a full year's contribution from Specialised Banking Furniture (International), acquired in December 1993 and the results of Neville Johnson (Offices) from December 6 1994.

Turnover jumped to £56.6m (£26.7m). Earnings per share came through at 12.1p (5.7p) and a recommended final dividend of 5.1p (4.9p) lifts the total to 8p (7.7p).

## Old English Pub

The Old English Pub Company is planning to come to the market via a placing and offer for subscription of up to 5m shares at 50p each.

Shares in OEPC, which owns and operates 20 "character" public houses in the north home counties and East Anglia, will be traded under Rule 42.

The company plans to acquire another 40 free houses over the next three years. It had pre-tax profits of £142,000 for the year to January 1 1995 and has projected a pre-tax result of £465,000 on sales of £5.67m for the current year.



## COMMODITIES AND AGRICULTURE

## Wheat Council director urges renationalisation of EU agricultural support

By James Harding

The diversity of climate and agricultural practice in the expanding European Union called for the renationalisation of farmers' support payments, a senior official of the International Wheat Council said yesterday.

In line with his observation that "the reason d'être of agricultural support is under debate", Mr Bill De Maria, assistant executive director at the IWC, proposed that more agricultural assistance should be distributed at a national level.

Speaking on the future of the international grain market to British farmers in Peterborough, Mr De Maria said: "It would prove impossible to devise a coherent policy suitable for simultaneous application in remote areas of Finland and specialised grain-growing regions such as East Anglia and the Paris Basin".

The differences "have led to suggestions for the renationalisation of certain elements of

the CAP," he said.

He went on to suggest that national governments, which already have the authority to administer area set-aside payments, "could in future be allocated negotiated amounts from the EC budget" to finance certain supports, particularly environmental protection measures.

Mr De Maria also gave an assessment of the outlook for global supply and demand for wheat and coarse grains. World grain output was likely to match consumption growth over the next 30 years and supply was likely to exceed demand between now and 2000, he predicted.

Such forecasts, as well as being subject to the weather, depended on responsible government management of surplus stocks, he warned. Recently the operation of carry-over stocks had been passed into private hands, but they must still function within official guidelines, he suggested.

Giving what he called tentative forecasts, Mr De Maria

said he expected wheat consumption to rise to 600m tonnes from 585m tonnes over the next five years, but that would more than be matched by a total harvest of 650m tonnes.

Similarly for coarse grains, rising production, considering the under-exploited areas in South America, would easily outstrip the increase in consumption to 900m tonnes in 2000 from the current 800m tonnes.

Rising consumption was also forecast to boost trade, with the bulk of the expansion in Africa and Asia.

In the longer term, Mr De Maria believed increases in grain production, thanks largely to developments in farming techniques and biotechnology, would be enough to meet the 60 per cent growth expected in world population by 2025. However, over the period the matching supply and demand would remain uneven, leaving some regions of the world suffering periodic shortages.

## Report says EU banana regime benefits consumers

By Deborah Hargreaves

The European Union's controversial banana import policy has led to lower consumer prices and an overall benefit to the public of between \$600m and \$800m a year compared with the national rules it replaced, according to a study by economists EU PA.

The study, commissioned by the Caribbean Banana Export

ers' Association, challenges a report by Mr Brent Borrell, a consultant, who claimed in January the new regime was \$700m more expensive than previous regulations.

The latest report says Mr Borrell's was wrong in his \$2.3bn estimate of the cost of the policy to consumers. It puts it at between \$800 and \$1bn, compared with 1.6bn under the national regulations.

The EU's current banana

regime replaced national restrictions on imports after the move towards a single market in 1993. It has been condemned by a dispute panel of the General Agreement on Tariffs and Trade and is under investigation by the US.

The Euro PA report points out that consumer prices for bananas have risen rapidly in Germany since the introduction of the regime, but for reasons not associated with the

new rules. In other EU countries prices have fallen or risen modestly.

Chiquita, the large Latin American exporter of so-called "dollar bananas", has manipulated the German market to raise its margins, blaming the effect on the EU's regime, the report maintains.

The regime secures preferential access for traditional African, Caribbean and Pacific producers to the EU market. Mr

Borrell argued that it would be cheaper to grant direct aid to ACP countries rather than import their bananas.

However, Mr Bernard Cornibert, trade representative for the Windward Islands, said: "The direct aid argument ignores all the other benefits we get from the banana trade. Aid is the most inefficient way to help developing countries because it never gets used properly".

## NZ growers profit as wool stockpile shrinks

Prices for carpet-making types recently reached five-year highs, writes Terry Hall

Prices of New Zealand carpet style wools recently reached five-year highs as the wool textile industry readied itself for reduced quantities in the coming season.

The Christchurch market indicator gained 30 cents in two weeks to reach NZ\$5.82 (US\$3.67) a kilogram at an auction last month. The biggest rise was for the crossbred style wools used in carpet-making. New Zealand is the world's major supplier of this type of wool. Buyers from China, Iran, India, Nepal, Britain and other west European markets were active.

Prices for fine wool merino, used in clothing, were steady. The rise follows a forecast by Wools of New Zealand, as the old Wool Board is now known, which says that supplies of New Zealand wool will fall by 10 per cent from February to June because production drops and the elimination of its stockpile.

Rising demand has facili-

tated a steady erosion of the stockpile. Four years ago the New Zealand wool industry faced a major financial crisis and the board was forced to follow Australia's lead and stop supporting the market. At that stage it held around 80,000 tonnes in store, or 550,000 bales, presenting a major disposal problem. Similar stockpiles existed elsewhere - Australia had a mountainous 4.6m bales, while South Africa and Britain were also holding big stocks.

The New Zealand government - unlike Australia's - refused to help; but an orderly reduction was managed without flooding the market, or depressing prices. The remaining board stocks are now trending to fetch higher prices than at auction.

So far this season 95,000 bales have been sold, well ahead of the pace required to reach the target of 100,000 bales for the year to June 30. The 77,000 bales left to be dis-

posed represents only three weeks' production, or 5 per cent of the annual wool clip. The gradual running down of the stockpile was a key factor in the price advance January and February sales.

Mr Patrick Conway of Wools of New Zealand suggests overseas buyers may face a dilemma when they try to pass on the higher prices they are being forced to pay, because consumer demand has not increased significantly, and appears likely to strengthen only moderately over the coming year.

Mr Peter Crane of the Council of the Wool Exporters says, however, that this upward trend in prices can be expected to continue, with fluctuations, helped by a reawakening of demand from the Indian sub-continent, and improving international economic indicators.

Wools of New Zealand says that total supply of New Zealand wool this season will be about 225,000 tonnes (clean), including 20,000 tonnes from the stockpile. In the 1995-96 season supply is projected to fall further to about 207,000 tonnes because of the reduction of the stockpile and a fall in new wool production to 203,000 tonnes.

It says exports of New Zealand wool to most developed countries rose in the six months to December 31. Wools of New Zealand says retail demand has started to improve in Germany, the largest single market for wool carpets. Wool exports to Germany were up 17 per cent in the first half of the season. Much of this, however, was fine wool for use in the apparel industry. German consumers are tending to spend on purchases of high priority items deferred during the recession rather than on carpets, Wools of New Zealand says.

Wool use in carpet making rose by 12 per cent in Britain in the six months to December 31. British buying is expected to level off over the rest of the year.

Belgium is second only to Britain in the production of wool carpets, but most is re-exported. Local Belgian demand has been weak but exports to the US were up 66 per cent and to Japan by 24 per cent.

Belgium bought 9 per cent more wool to reach a total of 6,750 tonnes in the first half of the season. A 10 per cent rise in housing starts in Japan did not translate to increased demand for home furnishings. Wool carpet production in Japan declined, but imports of wool carpets, mainly from China, rose by nearly 50 per cent in the period, thanks to the strong Yen. New Zealand wool exports to Japan rose by 5 per cent.

Its exports to the booming Chinese economy, and to Hong Kong were up 28 per cent, and accounted for a third of all wool exports.

## Chilean copper output seen buoyant

By Kenneth Gooding, Mining Correspondent

Chile's copper production will rise by more than 14 per cent this year, from 2.23m tonnes in 1994, to 2.55m tonnes, according to Mr Sergio Hernandez, the country's mining under-secretary.

But analysts thought the estimate, given in an interview with Reuters, was very conservative, as was Mr Hernandez's forecast that copper prices in 1995 could average US\$1.10 a pound (\$2.424 a tonne).

Mr Nick Moore, analyst at Ord Minnett, associate of Jardine Fleming, said: "On Chilean estimates see expansion of well over 400,000 tonnes

this year." The list included a full year of production from Phelps Dodge's La Candelaria (115,000 tonnes a year) while Cominco's Quebrada Blanca operation would go to its full 70,000 tonnes a year. Other notable increases were the 200,000 tonnes a year planned at Escondido, now the world's biggest copper mine, in which BHP and RTZ are shareholders, and the imminent commissioning of Outokumpu's 125,000 tonnes a year Zaldívar mine.

"There are a host of smaller operations," said Mr Moore. Chile's copper output is expected to continue to grow substantially for some years to come. Mr Marcos Lima, vice-president finance and

administration at Codelco, the country's state-owned group, said recently that Chile's share of world copper output, which was 22 per cent in 1990, would climb to 31 per cent this year and by the year 2,000 would reach 42 per cent.

China's zinc exports would fall this year because domestic prices were too high and last year's exports were above normal, traders at the China Non-ferrous Metals Fair said yesterday, reports Reuters from Hong Kong. "Unless London Metal Exchange prices rise above \$1,150 (a tonne), people won't export," said Mr Mo Shengwen, of China National Non-ferrous Metals Import & Export Guangxi.

## Energy agency forecasts slower oil demand growth

By Deborah Hargreaves

World oil demand is set to grow this year, but the rate of growth in the first quarter of this year to 700,000 barrels a day, which will lead to global demand of 70m b/d. Demand in the US and Russia is projected to be lower than

previously forecast in the first quarter.

Russian exports in the first two months have been running at a higher rate than expected at 2m b/d, despite lower production levels in January and February. Production in the former Soviet Union dropped

in January by 150,000 b/d to 6.1m b/d and by 120,000 b/d in February to 5.9m b/d.

The IEA said that supply from the Organisation of Petroleum Exporting Countries rose slightly in February to 25.2m b/d largely as a result of higher output from Iran, Saudi Arabia and Qatar.

Production from non-Opec countries dropped by 170,000 b/d in February to 4.8m b/d after maintenance programmes in the North Sea and bad weather in other countries temporarily closed some platforms.

## COMMODITIES PRICES

## BASE METALS

LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths

Close 1810-11 1847-7.5

Previous 1812-3 1848-9

High/Low 1808.5/1838 1850/1840

AM Official 1810-11 1845-6

Karb close 1810-11 1845-6

Open int. 225,700

Total daily turnover 74,225

■ ALUMINIUM ALLOY (\$ per tonne)

Close 1820-30 1835-45

Previous 1820-30 1845-50

High/Low 1815-20 1845/1844

AM Official 1820-30 1845-50

Karb close 1820-30 1845-50

Open int. 2,650

Total daily turnover 558

■ LEAD (\$ per tonne)

Close 577-8 592-3

Previous 584-5 599-00

High/Low 585/584.5 600/598

AM Official 584.5-5.0 599-000

Karb close 584.5-5.0 599-000

Open int. 36,500

Total daily turnover 8,278

■ NICKEL (\$ per tonne)

Close 7645-85 7780-900

Previous 7650-80 7780-900

High/Low 7645-80 7780-900

AM Official 7745-60 7800-25

Karb close 7745-60 7800-25

Open int. 37,781

Total daily turnover 13,589

■ TBN (\$ per tonne)

Close 5400-30 5520-40

Previous 5400-10 5485-95

High/Low 5410/5405 5500/5520

AM Official 5510-15 5570-75

Karb close 5510-15 5545-50

Open int. 19,573

Total daily turnover 4,373

■ ZINC, special high grade (\$ per tonne)

Close 1027-8 1052-5

Previous 1027-8 1052-5

High/Low 1028-9 1059-10

AM Official 1028-9 1059-10

Karb close 1028-9 1059-10

Open int. 100,508

Total daily turnover 10,524

■ COPPER, grade A (\$ per tonne)

Close 2899-00 2928-900

Previous 2897-8 2901-2

High/Low 2897-8 2918/2898

AM Official 2913-4 2911-12

Karb close 2913-4 2911-12

Open int. 236,780

Total daily turnover 92,241

■ LIME AN Official (\$/tonne)

Close 1.015 1.015

Previous 1.015 1.015

High/Low 1.015 1.015

AM Official 1.015 1.015

Karb close 1.015 1.015

Open int. 1.015

Total daily turnover 1.015

■ HIGH GRADE COPPER (COMEX)

Close 137.10

Previous 137.10

High/Low 137.10

AM Official 137.10

Karb close 137.10

Open int. 137.10

Total daily turnover 137.10

## Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

Sett. Day's

Mar 381.1 +1.5 382.6

Apr 382.4 +1.6 384.0

May 383.4 +1.6 385.0

Jun 384.4 +1.6 386.0

Jul 385.4 +1.6 387.0

Aug 386.4 +1.6 388.0

Sep 387.4 +1.6 389.0

Oct 388.4 +1.6 390.0

Nov 389.4 +1.6 391.0

Dec 390.4 +1.6 392.0

Total 167,326 54,494

■ PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Mar 418.5 +2.5 421.0

Apr 419.5 +2.5 422.0

May 420.5 +2.5 423.0

Jun 421.5 +2.5 424.0

Jul 422.5 +2.5 425.0

Aug 423.5 +2.5 426.0

Sep 424.5 +2.5 427.0

Oct 425.5 +2.5 428.0

Nov 426.5 +2.5 429.0

Dec 427.5 +2.5 430.0

Total 24,444 3,248

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Mar 155.0 +1.5 156.5

Apr 156.0 +1.5 157.5

May 157.0 +1.5 158.5

Jun 158.0 +1.5 159.5

Jul 159.0 +1.5 160.5

Aug 160.0 +1.5 161.5

Sep 161.0 +1.5 162.5

Oct 162.0 +1.5 163.5

Nov 163.0 +1.5 164.5

Dec 164.0 +1.5 165.5

Total 13,483 31,944

■ SILVER COMEX (100 Troy oz; \$/troy oz)

Mar 458.4 +4.4 462.8

Apr 463.4 +4.4 467.8

May 468.4 +4.4 472.8

Jun 473.4 +4.4 477.8

Jul 478.4 +4.4 482.8

Aug 483.4 +4.4 487.8

Sep 488.4 +4.4 492.8

Oct 493.4 +4.4 497.8

Nov 498.4 +4.4 502.8

Dec 503.4 +4.4 507.8

Total 134,883 31,944

■ ENERGY

■ CRUDE OIL NYMEX (\$/barrel)

Sett. Day's

Mar 18.15 -0.18 18.33

Apr 18.11 -0.12 18.23

May 18.08 -0.18 18.26

Jun 18.05 -0.17 18.22

Jul 18.02 -0.17 18.19

Aug 17.99 -0.17 18.16

Sep 17.96 -0.17 18.13

Oct 17.93 -0.17 18.10

Nov 17.90 -0.17 18.07

Dec 17.87 -0.17 18.04

Total 373,785 125,150

■ CRUDE OIL, IPE (\$/barrel)

Sett. Day's

Mar 18.15 -0.18 18.33

Apr 18.11 -0.12 18.23

May 18.08 -0.18 18.26

Jun 18.05 -0.17 18.22

Jul 18.02 -0.17 18.19

Aug 17.99 -0.17 18.16

Sep 17.96 -0.17 18.13

Oct 17.93 -0.17 18.10

Nov 17.90 -0.17 18.07

Dec 17.87 -0.17 18.04

Total 373,785 125,150

■ HEATING OIL NYMEX (\$/barrel)

Sett. Day's

Mar 18.15 -0.18 18.33

Apr 18.11 -0.12 18.23

May 18.08 -0.18 18.26

Jun 18.05 -0.17 18.22

Jul 18.02 -0.17 18.19

Aug 17.99 -0.17 18.16

Sep 17.96 -0.17 18.13

Oct



## INTERNATIONAL CAPITAL MARKETS

## Treasuries volatile as investors await payroll data

By Lisa Branson in New York and Graham Bowley in London

US Treasury prices were volatile yesterday as the dollar first held steady and then resumed its fall against the D-Mark and the yen.

At midday, the benchmark 30-year Treasury was up 1/8 at 100 1/8 to yield 7.554 per cent. At the short end of the market, the two-year note was up 1/8 at 100 1/8, yielding 5.839 per cent.

For most of the morning the market moved in tandem with the dollar. Prices were relatively steady early, as the dollar held its levels of late Wednesday. However, the dollar later dropped as the currency resumed its slide. A weak dollar generally hurts the bond market by deterring foreign investors from holding US securities.

By late morning, the dollar began regaining ground, taking bonds with it. Still, it remained lower than it had been late on Wednesday. Near noon, the dollar was at DM1.3910 and ¥90.38, against DM1.3885 and ¥91.33 late on Wednesday.

Also of concern to bond investors was the release of February jobs figures scheduled for this morning. The median economic forecast has the unemployment figure rising slightly to 5.7 per cent from 5.6 per cent in January.

Some analysts believe that if the figure is lower, the Federal Reserve will be more likely to raise interest rates again before the March 28 meeting of its Open Market Committee.

European government bond markets were also volatile yesterday, buffeted by US Treasuries and with investors continuing to keep a nervous eye on developments in the currency markets.

## GOVERNMENT BONDS

Yield spreads over German government bonds generally widened. Attention today will be firmly on the key US non-farm payroll data.

German government bonds ended broadly unchanged on the day, with the June bond contract on Liffe down 0.01 at 90.23 in late trade after falling below 90.00 earlier in the session.

Bunds started higher after recent gains, but fell back with little follow-through buying and some profit-taking, dealers said.

"No-one is prepared to take a position in the cash market until it is clear what is happening to exchange rates, until we have the non-farm payroll data, and until the next move on German interest rates," said Mr Sanjay Joshi at Daiwa in London.

The short end of the curve was supported by earlier comments from Bundesbank council member Mr Hans-Jürgen Krupp and president Mr Hans Tietmeyer that there may be scope for further cuts in interest rates. This helped smooth currency markets, dealers said.

"But the long end suffered slightly on fears that the IG Metall wage settlements are more inflationary than initially feared," said one Frankfurt trader.

Mr Klaus Baader, of Lehman Brothers, said market senti-

ment continued to be dominated by uncertainty in the currency market. "Currency pressures have also triggered concerns that the Bundesbank might act soon to cut interest rates in a concerted action between central banks," he said.

Futures markets saw a marked increase in volatility caused by the expiry of the March bond contracts on Liffe and on the DTF.

Rumours that one player was in trouble meeting its margin calls on equity futures swept the market in Germany, causing further volatility.

"Bonds benefited slightly on some flight to quality," said one trader. In the short-term money markets, the June euro-deutschmark contract rallied by 10 ticks, indicating a dampening of expectations of German interest rate rises. The con-

tract rose from 94.68 to 94.78.

■ Gilts followed bonds, with the yield spread over Germany largely unchanged at 149 basis points.

"It was a quiet market with sterling more stable, and with uncertainty in the currency market deterring some cross-border flows," said Mr Andrew Roberts, gilts analyst at UBS. However, he said there were some substantial domestic flows, with heavy futures selling, particularly in the 10-year area.

■ French bonds moved lower, with prices dominated by movements in Germany and the US.

Italian bonds remained volatile, with the June futures contract moving in a wide one-point range before settling at 92.75, down 0.45.

## S African group in first post-apartheid medium-term loan

By Graham Bowley

Eskom, the state-owned South African electricity generator, yesterday launched a \$100m five-year syndicated loan arranged by J.P. Morgan.

It was the first medium-term loan for a leading South African borrower on international capital markets since the end of apartheid, J.P. Morgan said.

The issue follows short-term deals for other South African borrowers such as the \$300m loan for First National Bank launched last month.

Eskom had planned to launch an international bond offering earlier this year, following the Republic of South Africa's \$750m debut offering in December.

However, Eskom turned instead to the syndicated loans market after turbulence in the so-called emerging markets following the devaluation of

the Mexican peso pushed out yield premiums to prohibitive levels.

The Republic's offering, initially launched at a yield spread of 193 basis points over US Treasuries, widened to 300 basis points as the Mexico crisis deepened.

The revolving credit facility carries a cost of 87.5 basis points above the London interbank offered rate for the first three years, rising to 112.5 basis points over Libor for the last two years.

The commitment fee on the loan is 37.5 basis points. Up-front fees for banks who take \$15m as lead managers are 60 basis points, for managers who take \$10m 50 basis points and for co-managers who take \$5m, 40 basis points.

Commerzbank of Germany and Industrial Bank of Japan are the co-arrangers on the deal.

## Repsol mandates BBV and Goldman for offer

By Conner Middelmann

Repsol, the Spanish oil group, has mandated Banco Bilbao Vizcaya and Goldman Sachs as global co-ordinators for its forthcoming share offering.

The state-owned Instituto Nacional de Hidrocarburos, which holds 40.5 per cent of Repsol, is planning to sell up to 45m shares, or 15 per cent of Repsol's share capital, worth some \$1.65bn at current market prices.

The institutional offering comprises five tranches: Spain, US, continental Europe, UK and rest of the world.

The domestic tranche will be lead-managed by Banco Central Hispano, with Argentina, BBV and Banco San-

tander de Negocios as co-managers.

The continental European portion will be led by Argentinia and Paribas, the UK tranche by Santander and U.K. Warburg, and the rest of the world by CS First Boston.

No information regarding the US tranche will be published until the prospectus has been filed with the Securities and Exchange Commission.

The domestic retail tranche will be offered at a 5 per cent discount to the institutional price.

As an added incentive, Repsol will reimburse retail investors for any fall in the market price of up to 10 per cent from the offer price during the 12 months following the issue.

## Shanghai group agrees Yn5m offering

By Tony Walker in Beijing

Pinghe Marine Products has become the first non-state enterprise in Shanghai to issue bonds, the Shanghai Securities News reported yesterday.

The company, the largest privately-owned enterprise in Shanghai, had floated Yn5m in corporate bonds. The issue was underwritten by the Pudong Development Bank of Shanghai.

The issuance of such debt by a private institution is expected to set a pattern for other similar capital raisings. The funds will be used to cover a capital shortfall, according to Securities News.

The newspaper said a local ratings agency had given an A-2 rating to the bonds, which were purchased mainly by institutional investors.

## Indian GDR issue priced at \$12.79

By Conner Middelmann

Asbok Leyland, the truck-maker owned by India's Hindustan Group, yesterday priced a \$108m issue of global depositary receipts, the first Indian GDR issue this year.

The certificates, which each represent three ordinary shares, were priced at \$12.79 - the equivalent of Rs135 a share, representing a 12.9 per cent discount to the shares' current market price of Rs155.

"That's a competitive discount compared with the secondary market, where many issues still trade at more than a 20 per cent discount," said Mr Roddy Sale, of Jardine Fleming Bombay. The issue was joint lead-managed by Jardine Fleming and UBS.

Asbok Leyland's main shareholder LRIIL, jointly owned by the Hindustan Group and Fiat subsidiary Iveco, took up \$0.9 per cent of the offering.

## Commerzbank in A\$125m deal

By Martin Brice

The recent slowing of eurobond issuance dried almost to a trickle yesterday, as continued turbulence on markets took its toll.

## INTERNATIONAL BONDS

Commerzbank Overseas Finance raised A\$125m with a five-year deal carrying a coupon of 10.25 per cent, brought via Hambros.

This was the third Australian dollar deal for Commerzbank handled by Hambros, which said the bonds brought in September at 17 basis points over the comparable government bond had tightened in to 20 under, and those brought in December at 13 over had tightened in to 4 under.

Yesterday's deal was prompted by significant turnover in the five-year sector of the secondary market for Australian dollar bonds, said

Hambros. Sales were largely to retail and small institutional investors in Benelux, Germany and Switzerland, with some to Asian investors.

Hambros pointed out that about \$370m of bonds have yet to mature in March, and AS300m in April.

NorthWest Securities brought a \$75m convertible for Multicare Companies, a US health-care provider, which plans to use the money to refinance debt. Demand for the seven-year deal, callable after three years and with a coupon of 7

per cent, came largely from Swiss and other European institutions. There is a conversion premium of 19.5 per cent.

Other eurobonds were aimed at domestic investors. Commerzbank handled a five-year DM500m floating-rate note for L-Bank, which carried a coupon of 5 basis points under six-month Libor. With a price of 100.05 and fees of 20 cents, syndicates would own the deal at 2 basis points under Libor.

A fixed-rate bond issue from L-Bank would often give it funds at around 15 basis points under Libor.

GECC raised L150bn with a one-year and a day offering handled by SBC, which had two large lead orders out of Italy. The bonds carried a coupon of 11.375 per cent, and was targeted at European retail investors.

■ Issuance in the lira sector is running ahead of last year's levels, according to Euromoney Bondware. In January and February 1994, there were 22 lira eurobonds, at \$3.85m equivalent. This year the figures are 28 issues and \$3.93bn.

## NEW INTERNATIONAL BOND ISSUES

Borrower	Coupon	Price	Maturity	Fees	Spread	Book runner
US DOLLARS						
Commerzbank Overseas Finance	7.5	100.04	Mar 2003	3.00	1.47	NaWest Securities
SWISS FRANCES						
Commerzbank Overseas Finance	2.50	101.30	Apr 2002	2.50	1.47	Swiss Bank Corp.
ITALIAN LIRE						
Commerzbank Overseas Finance	11.375	101.00	Apr 1996	1.00	1.47	Swiss Bank Corp.
AUSTRALIAN DOLLARS						
Commerzbank Overseas Finance	10.25	101.365	Apr 2000	2.00	1.47	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch calculated by lead manager. SBCoverable, \$50m annual coupon. R fixed re-offer price; fees shown in re-offer level. a) Conversion price: 225. Callable from 150/98 at par. Greenrover: 150%.

## WORLD BOND PRICES

## BENCHMARK GOVERNMENT BONDS

Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago	
Australia	8.000	99.04	82.6300	+0.740	10.23	9.60	10.18
Austria	7.500	97.05	88.9500	+0.100	7.85	7.63	7.82
Belgium	10.000	104.00	102.2200	+0.210	8.35	8.22	8.35
Canada	9.000	120.04	102.0500	+0.400	8.68	8.75	8.30
Denmark	7.000	120.04	88.2000	+0.150	9.19	8.81	8.96
France	8.000	95.96	101.9500	+0.450	7.59	7.60	7.27
Germany	7.500	94.05	84.3500	+0.180	8.26	8.34	8.12
Italy	7.375	91.05	89.8000	+0.050	7.43	7.38	7.44
Ireland	6.250	100.04	81.2500	+0.550	8.80	8.80	8.76
Japan	5.000	104.00	84.3500	+0.180	8.26	8.34	8.12
N 119	8.000	96.99	104.9700	+0.300	3.51	3.70	3.78
N 174	4.800	99.04	102.8500	+0.380	4.18	4.31	4.88
Netherlands	7.750	93.05	101.1800	+0.020	7.58	7.54	7.80
Portugal	11.000	102.05	86.5000	+0.530	12.63	11.80	11.80
Sweden	8.000	92.05	89.2700	+0.140	11.31	10.88	10.86
UK Gilts	8.000	99.99	90.47	+0.60	8.48	8.48	8.35
US Treasury	8.000	100.04	103.10	+0.732	8.73	8.56	8.80
Y 12.50%	7.500	92.05	101.09	+0.2130	7.31	7.28	7.64
Y 12.50%	7.625	92.05	101.09	+0.2133	7.34	7.49	7.78
Y 12.50% (French Govt)	8.000	100.04	103.10	+0.732	8.73	8.56	8.80

## US INTEREST RATES

Rate	One month	Three month	Six month	One year	Two year	Three year	Five year	Seven year	Ten year	30 year
Prime rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Banker's loan rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Fed funds rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
90-day T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
1-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
2-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
5-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
10-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
30-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

## BOND FUTURES AND OPTIONS

BOND FUTURES AND OPTIONS							
Contract	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar 111.02	110.52	-0.16	111.02	110.28	106.055	64,818	
Jun 110.11	110.44	-0.06	110.26	110.20	76,957	81,870	
Sep 110.64	110.08	-0.06	110.64	109.90	312	5,046	

## LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike	Apr	May	Jun	Jul	Aug	Sep
110	1.00	1.00	1.00	1.00	1.00	1.00
111	0.90	0.85	0.80	0.75	0.70	0.65
112	0.80	0.75	0.70	0.65	0.60	0.55
113	0.70	0.65	0.60	0.55	0.50	0.45
114	0.60	0.55	0.50	0.45	0.40	0.35

## Germans

Contract	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar 90.30	90.20	-0.04	90.83	89.94	133,185	149,472	
Jun 89.70	89.75	-0.01	89.70	89.30	3	1,713	

## UK GILTS PRICES

Germany							
■ NOTIONAL GERMAN BUND FUTURES (LIFE) DM250,000 100ths of 100%							
	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	90.50	90.20	-0.04	90.63	89.94	133165	164972
Sep	89.70	89.75	+0.01	89.70	89.70	3	1715

## BOND FUTURES OPTIONS (LFFE) DM250,000 points of 100%

Strike	CALLS				PUTS			
	Apr	May	Jun	Sep	Apr	May	Jun	Sep
9000	0.57	0.87	1.10	1.28	0.57	0.87	0.90	1.51
9050	0.33	0.83	0.85	1.03	0.83	0.83	1.15	1.78
9100	0.17	0.43	0.65	0.84	0.97	1.23	1.45	2.08

Est. vol. total, CALLS 13957 Puts 9107, Previous day's open int, CALLS 14214 Puts 116864

## ITALY

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LFFE)* Lira 200m 100ths of 100%							
Open	Sett price	Change	High	Low	Est. vol	Open int.	

## ITALYAN GOVT. BOND (BTF) FUTURES (LFFE) L250,000 points of 100%

Strike	Apr	May	Jun	Jul	Aug	Sep
9000	2.31	2.61	2.06	2.36	2.36	3.36
9050	2.05	2.39	2.30	2.30	2.30	3.36
9055	1.81	2.18	2.18	2.18	2.18	3.36

## Spain

Spain							
■ NOTIONAL SPANISH BOND FUTURES (MEFF)							
	Open	Settle	Change	High	Low	Est. vol.	Open Int.

## NOTIONAL SPANISH BOND FUTURES (MEFF)

Jun	81.40	80.41	-0.70	81.70	80.20	9,210	23,158
<b>UK</b>							
■ NOTIONAL UK GILT FUTURES (LIFTS)* £50,000 32nds of 100%							
	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	101-03	100-27	-0-02	101-03	100-18	3,770	10,615
Jun	101-12	101-01	-0-02	101-13	100-18	63,603	84,712

## LONG TERM GILT FUTURES (LFFE) £50,000 points of 100%

Strike	CALLS					PUTS			
Price	Apr	May	Jun	Sep	Apr	May	Jun	Sep	
101	0-49	1-12	1-36	2-20	0-47	1-10	1-34	2-04	
102	0-22	0-47	1-05	1-54	1-20	1-45	2-03	2-38	
103	0-08	0-26	0-46	1-28	2-06	2-24	2-44	3-12	
Est. vol. total, Calls 2941 Puts 4756. Previous day's open int., Calls 27822 Puts 43123									











## INVESTMENT TRUSTS - Cont.

Trust	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## INV TRUSTS SPLIT CAPITAL

Trust	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## INVESTMENT COMPANIES - Cont.

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## OIL EXPLORATION &amp; PRODUCTION - Cont.

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## PROPERTY

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## RETAILERS, GENERAL - Cont.

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## TRANSPORT - Cont.

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## LEISURE &amp; HOTELS

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## OIL, INTEGRATED

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## OTHER FINANCIAL

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## SUPPORT SERVICES

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## WATER

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## AMERICANS

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## LIFE ASSURANCE

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## MEDIA

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## OTHER SERVICES &amp; BUSINESSES

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## RETAILERS, FOOD

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## RETAILERS, GENERAL

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## TOBACCO

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## OTHER INVESTMENT TRUSTS

Trust	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## INVESTMENT COMPANIES

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## OIL EXPLORATION &amp; PRODUCTION

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## PHARMACEUTICALS

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

## TRANSPORT

Company	Price	1994/95	1993/94
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00
Abacus	175.00	175.00	175.00

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FINANCIAL TIMES



LONDON STOCK EXCHANGE

MARKET REPORT

Early gains wiped out on new dollar concerns

By Terry Byland, UK Stock Market Editor

The financial crisis in Mexico returned to haunt the UK stock market yesterday afternoon. Initial confidence that the problems of the dollar and the D-mark had eased was overshadowed later when a rally in the US currency was checked by worries over Mexico.

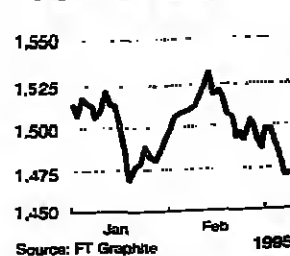
Share index at 3,013.2. But investors were already having second thoughts on the interest rate question by mid-session. News of a fall in the UK longer leading cyclical indicator in January cast further doubts on the progress of the domestic economy and the Footsie was soon below 3,000 again.

Share prices tried to rally as Wall Street opened calmly, to show a fall of under 5 points on the Dow Jones Industrial Average in UK trading hours. However, the renewed uncertainty over the dollar ended the rally and the FT-SE 100 Share Index closed 5.2 down on the day at 2,989.9.

The flow of UK company results failed to affect the broad range of the market. GKN responded well to higher profits and an increased dividend payout, while Rolls-Royce edged higher despite a mixed set of results.

Underlying nervousness over developments in the derivatives markets following last week's collapse of Barings bank continued to unsettle the UK merchant banks. S.G. Warburg firmly denied rumours that it faced problems in the German futures markets.

FT-SE-A All-Share Index



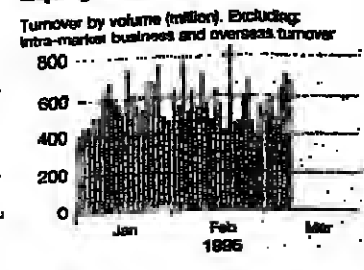
Indices and ratios

FT-SE 100	2989.9	-5.2
FT-SE Mid 250	3311.1	-10.2
FT-SE 350	1457.5	-0.9
FT-SE All-Share	1471.59	-1.16
FT-SE All-Share yield	4.30	(4.29)

Best performing sectors

1 Electricity	+1.5
2 Engineering, Vehicles	+1.2
3 Textile & Apparel	+1.1
4 Water	+1.0
5 Banks, Retail	+0.8

Equity Shares Traded



FT Ordinary Index

FT Ordinary Index	2288.8	-3.0
FT-SE Non Fins pre	16.38	(16.58)
FT-SE 100 Fut Mar	2988.0	-11.0
10 yr Gilt yield	8.78	(8.81)
Long gilts/yield ratio	2.06	(2.07)

Worst performing sectors

1 Gas Distribution	-1.7
2 Paper, Polym & Print	-1.4
3 Spirits, Wines & Cider	-1.2
4 Building & Const	-1.0
5 Media	-0.8

Results no help to Arjo

Paper group Arjo Wiggins Appleton suffered the biggest fall in percentage terms among the FT-SE 100 stocks, sliding 13% to 222 1/2 despite encouraging profit figures.

The 1994 figures showed an increase of 78 per cent over the previous year and were at the higher end of the range of estimates. Most analysts increased current year forecasts to between £270m and £285m from around £250m to £265m.

However, Arjo said the galloping wood pulp price rises were continuing and there was also disappointment among investors that St Louis, the French glassmaker which owns 40 per cent, had no apparent intention of offloading its stake.

Utilities rally

The recent gloom hanging over electricity utilities following comments on price controls from the industry regulator, lifted a little yesterday, when share prices were boosted by renewed confidence that the bid for Northern Electricity by Trafalgar House will go ahead.

Shares in Northern bounced 25 to 81 1/2p in trade of 1.1m on rumours that Trafalgar was in talks with leading institutions to try and agree a new offer price for the bid. There was also talk that Trafalgar was planning to seek Stock Exchange permission to extend

the timetable of the offer, to enable it to complete the deal on the new terms. Such a move could mean an extension of today's closing date.

Elsewhere in the sector, Yorkshire, which registered one of the sharpest declines in the previous two sessions, jumped 4 1/2 to 66 1/2p, as vague bid talk returned. However, several analysts discounted such talk.

It was bargain hunters who boosted several of the other strong performers in the sector. Midlands gained 39 to 62 1/2p, while East Midlands raked 37 ahead to 69 1/2p. Also in demand was Norwich 21 ahead at 64 1/2p and Seaboard which rose 22 to finish at 36 1/2p. Trafalgar closed unchanged at 59p.

Mr Martin Green of Smith New Court commented: "The Warburg moves reflects how jumpy the market is towards these merchant bank stocks, post Barings, and how bearish specialists were also sceptical. But coming so hard on the heels of the derivatives problems that crippled Barings, the rumours were enough to shift the shares from being 10 up to 18 down at one stage. The stock closed a net 7 off at 68 1/2p.

The newly-issued electricity generator stocks remained under a cloud and traded nervously, ahead of what promises to be a stormy meeting today between Professor Stephen Littlechild, the electricity industry regulator and a group of investment institutions. City analysts are also expected to attend. Shares in PowerGen lost another 7 1/2 to 17 1/2p, while those of National Power gave up 4 to 43 1/2p after hefty trade of 10m.

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It seems that the new company, destined to be the world's biggest pharmaceutical group - will come into being on May 1. However, not all analysts are enthusiastic. Agency broker James Capel reiterated its sell stance on the basis that severe staff cuts and cost savings will be no substitute for the loss of earnings prompted by two big patent expiries. Wellcome gained 2 to 10 1/2p.

FUTURES AND OPTIONS

FT-SE 100 FUTURES (LFFE) £25 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	3012.0	2989.9	-11.5	3021.0	2987.0	18101	41813
Jun	3015.0	2991.5	-11.5	3025.0	2991.5	2727	28511
Dec	3036.5	3015.0	-11.5	3046.5	3015.0	480	425

FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	3315.0	3300.0	-10.0	3315.0	3300.0	8	2593
Jun	3320.0	3300.0	-10.0	3320.0	3300.0	0	1011

FT-SE 100 INDEX OPTION (LFFE) £250 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	2990	2989	-1	2990	2989	3100	3100
Jun	3010	3009	-1	3010	3009	3100	3100
Dec	3030	3029	-1	3030	3029	3100	3100

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Evolving from Pills to Healthcare - Realising the Ambition

20 & 21 March 1995 - London

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- OTC - The First Products in the Healthcare Process
- Pharmaceutical Benefits Management in Europe

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- Professor Brian Edwards, Regional Director, NHS Executive (West Midlands)
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- Mr André Haelg, Member of the Board, SwissCare
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Figure 1. The effect of the concentration of the *Ag* on the *Ag* adsorption capacity of the *Ag*-*Ag* complex. The concentration of the *Ag* was 0.1, 0.2, 0.3, 0.4, 0.5, 0.6, 0.7, 0.8, 0.9, 1.0, 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 2.0, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 3.0, 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 4.0, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 5.0, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 6.0, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 7.0, 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 8.0, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 9.0, 9.1, 9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.8, 9.9, 10.0, 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, 10.7, 10.8, 10.9, 11.0, 11.1, 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9, 12.0, 12.1, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7, 12.8, 12.9, 13.0, 13.1, 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 13.8, 13.9, 14.0, 14.1, 14.2, 14.3, 14.4, 14.5, 14.6, 14.7, 14.8, 14.9, 15.0, 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8, 15.9, 16.0, 16.1, 16.2, 16.3, 16.4, 16.5, 16.6, 16.7, 16.8, 16.9, 17.0, 17.1, 17.2, 17.3, 17.4, 17.5, 17.6, 17.7, 17.8, 17.9, 18.0, 18.1, 18.2, 18.3, 18.4, 18.5, 18.6, 18.7, 18.8, 18.9, 19.0, 19.1, 19.2, 19.3, 19.4, 19.5, 19.6, 19.7, 19.8, 19.9, 20.0, 20.1, 20.2, 20.3, 20.4, 20.5, 20.6, 20.7, 20.8, 20.9, 21.0, 21.1, 21.2, 21.3, 21.4, 21.5, 21.6, 21.7, 21.8, 21.9, 22.0, 22.1, 22.2, 22.3, 22.4, 22.5, 22.6, 22.7, 22.8, 22.9, 23.0, 23.1, 23.2, 23.3, 23.4, 23.5, 23.6, 23.7, 23.8, 23.9, 24.0, 24.1, 24.2, 24.3, 24.4, 24.5, 24.6, 24.7, 24.8, 24.9, 25.0, 25.1, 25.2, 25.3, 25.4, 25.5, 25.6, 25.7, 25.8, 25.9, 26.0, 26.1, 26.2, 26.3, 26.4, 26.5, 26.6, 26.7, 26.8, 26.9, 27.0, 27.1, 27.2, 27.3, 27.4, 27.5, 27.6, 27.7, 27.8, 27.9, 28.0, 28.1, 28.2, 28.3, 28.4, 28.5, 28.6, 28.7, 28.8, 28.9, 29.0, 29.1, 29.2, 29.3, 29.4, 29.5, 29.6, 29.7, 29.8, 29.9, 30.0, 30.1, 30.2, 30.3, 30.4, 30.5, 30.6, 30.7, 30.8, 30.9, 31.0, 31.1, 31.2, 31.3, 31.4, 31.5, 31.6, 31.7, 31.8, 31.9, 32.0, 32.1, 32.2, 32.3, 32.4, 32.5, 32.6, 32.7, 32.8, 32.9, 33.0, 33.1, 33.2, 33.3, 33.4, 33.5, 33.6, 33.7, 33.8, 33.9, 34.0, 34.1, 34.2, 34.3, 34.4, 34.5, 34.6, 34.7, 34.8, 34.9, 35.0, 35.1, 35.2, 35.3, 35.4, 35.5, 35.6, 35.7, 35.8, 35.9, 36.0, 36.1, 36.2, 36.3, 36.4, 36.5, 36.6, 36.7, 36.8, 36.9, 37.0, 37.1, 37.2, 37.3, 37.4, 37.5, 37.6, 37.7, 37.8, 37.9, 38.0, 38.1, 38.2, 38.3, 38.4, 38.5, 38.6, 38.7, 38.8, 38.9, 39.0, 39.1, 39.2, 39.3, 39.4, 39.5, 39.6, 39.7, 39.8, 39.9, 40.0, 40.1, 40.2, 40.3, 40.4, 40.5, 40.6, 40.7, 40.8, 40.9, 41.0, 41.1, 41.2, 41.3, 41.4, 41.5, 41.6, 41.7, 41.8, 41.9, 42.0, 42.1, 42.2, 42.3, 42.4, 42.5, 42.6, 42.7, 42.8, 42.9, 43.0, 43.1, 43.2, 43.3, 43.4, 43.5, 43.6, 43.7, 43.8, 43.9, 44.0, 44.1, 44.2, 44.3, 44.4, 44.5, 44.6, 44.7, 44.8, 44.9, 45.0, 45.1, 45.2, 45.3, 45.4, 45.5, 45.6, 45.7, 45.8, 45.9, 46.0, 46.1, 46.2, 46.3, 46.4, 46.5, 46.6, 46.7, 46.8, 46.9, 47.0, 47.1, 47.2, 47.3, 47.4, 47.5, 47.6, 47.7, 47.8, 47.9, 48.0, 48.1, 48.2, 48.3, 48.4, 48.5, 48.6, 48.7, 48.8, 48.9, 49.0, 49.1, 49.2, 49.3, 49.4, 49.5, 49.6, 49.7, 49.8, 49.9, 50.0, 50.1, 50.2, 50.3, 50.4, 50.5, 50.6, 50.7, 50.8, 50.9, 51.0, 51.1, 51.2, 51.3, 51.4, 51.5, 51.6, 51.7, 51.8, 51.9, 52.0, 52.1, 52.2, 52.3, 52.4, 52.5, 52.6, 52.7, 52.8, 52.9, 53.0, 53.1, 53.2, 53.3, 53.4, 53.5, 53.6, 53.7, 53.8, 53.9, 54.0, 54.1, 54.2, 54.3, 54.4, 54.5, 54.6, 54.7, 54.8, 54.9, 55.0, 55.1, 55.2, 55.3, 55.4, 55.5, 55.6, 55.7, 55.8, 55.9, 56.0, 56.1, 56.2, 56.3, 56.4, 56.5, 56.6, 56.7, 56.8, 56.9, 57.0, 57.1, 57.2, 57.3, 57.4, 57.5, 57.6, 57.7, 57.8, 57.9, 58.0, 58.1, 58.2, 58.3, 58.4, 58.5, 58.6, 58.7, 58.8, 58.9, 59.0, 59.1, 59.2, 59.3, 59.4, 59.5, 59.6, 59.7, 59.8, 59.9, 60.0, 60.1, 60.2, 60.3, 60.4, 60.5, 60.6, 60.7, 60.8, 60.9, 61.0, 61.1, 61.2, 61.3, 61.4, 61.5, 61.6, 61.7, 61.8, 61.9, 62.0, 62.1, 62.2, 62.3, 62.4, 62.5, 62.6, 62.7, 62.8, 62.9, 63.0, 63.1, 63.2, 63.3, 63.4, 63.5, 63.6, 63.7, 63.8, 63.9, 64.0, 64.1, 64.2, 64.3, 64.4, 64.5, 64.6, 64.7, 64.8, 64.9, 65.0, 65.1, 65.2, 65.3, 65.4, 65.5, 65.6, 65.7, 65.8, 65.9, 66.0, 66.1, 66.2, 66.3, 66.4, 66.5, 66.6, 66.7, 66.8, 66.9, 67.0, 67.1, 67.2, 67.3, 67.4, 67.5, 67.6, 67.7, 67.8, 67.9, 68.0, 68.1, 68.2, 68.3, 68.4, 68.5, 68.6, 68.7, 68.8, 68.9



## AMERICA

Technology  
boost for  
Nasdaq index

## Wall Street

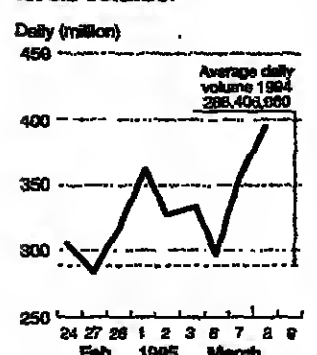
US share prices were volatile in a narrow range yesterday morning on the heels of yesterday's currency prices, writes Lisa Branstetter in New York.

By 1 pm the Dow Jones Industrial Average was off 2.77 at 3,976.46. The Standard & Poor's 500 fell 0.28 at 482.86. The American Stock Exchange composite was up 1.04 at 450.99. Meanwhile, the Nasdaq composite lost 0.31 at 75.50.

Trading volume on the New York Stock Exchange came to 176m shares.

A rising bond market and

## NYSE volume



steady dollar rates gave some early support to the Dow and the S & P 500, which tried to hold its ground just before Wednesday's close. By late morning those indices had fallen into negative territory and stayed there until the early afternoon when they moved briefly positive. The indices, however, proved unable to sustain those levels as the dollar continued its slide against the D-Mark and the Japanese yen.

Many investors were awaiting February jobless figures due out this morning. The median economic forecast had the unemployment rate rising to 5.7 per cent from 5.6 per cent in January. Analysts believed that if unemployment was lower than expected it might spur the Federal Reserve to raise interest rates to help shore up the value of the dollar.

Rising technology issues helped the Nasdaq to outperform most other indices. At

midday Apple Computer was up 5 1/2 at \$40, Dell Computer increased 1/2 at \$43 and Intel had gained 3/4 at \$79 1/2.

Several high technology companies traded on the NYSE were also higher yesterday. IBM, which is included in the Dow and was among the largest winners in that index, rose 1 1/2 at \$81 1/2. Digital Equipment was up 3/4 at \$32 1/2. Compaq Computer climbed 1/2 at \$35 1/2 and Hewlett-Packard was 3/4 higher at \$119 1/2.

Shares in J.P. Morgan lost 1/4 at \$61 1/2 on rumours that the bank had substantial foreign exchange losses. A spokesman said that it was not Morgan's practice to comment on financial performance before the release of quarterly results and we see no reason to depart from that practice today.

American depository receipts of Mexican companies touched new lows as the peso hit record weakness against the dollar. The benchmark Telefonos de Mexico lost 1 1/2 at \$32 1/2. Grupo Televisa was down 1/2 at \$12 1/2 and Empressa ICA fell 1/4 at \$4 1/2.

Marvel Entertainment Group gained 1/2 at \$16 1/2 after the comic book company said it would buy SkyBox International for about \$16 per share. SkyBox shares jumped 2 1/2 at \$15 1/2 on the news.

## Canada

Toronto was mixed in mid-session, still balancing excitement in gold against the trials of its financials and industrial stocks as the TSE 300 composite index rose 8.50 to 8,144.50 at 1300 local time.

Declining stocks outpaced advances by 259 to 250, with 289 unchanged.

Among gaining sectors, gold and precious metals led with a rise of 147.95, or 1.6 per cent to 9,394.16.

At midday, turnover was light, with volume of 31.23m shares valued at C\$382m. The Canadian dollar followed the weakness of its US neighbour, easing to C\$1.4140.

Among active gold stocks, Barrick Gold improved C\$2 to C\$32 1/2 while Placer Dome gained C\$1 to C\$30 1/2.

Placer Dome had said earlier that it expected to boost gold output to 1.5m ounces this year from acquisitions and expanded production.

## Mexico edges higher

Mexican shares edged higher on arbitrage trade after the peso's steep fall in the foreign exchanges, and the IPC index was 10.69 ahead at 1,509.11 by late morning. Desc C shares led the advance with an 11.1 per cent rise after a Goldman Sachs recommendation.

SAO PAULO reversed an early upward move to fall 2.1 per cent in light midday trade as investors shifted their focus

to the uncertainty still surrounding Brazil's new foreign exchange rate policy. The Bovespa index was 500 lower at 23,133 at 1 pm in volume of R\$108.7m (\$122.3m).

BUENOS AIRES was higher in brisk morning trade on reports that the government was close to securing loan agreements with international creditors. The Merval index rose 1.51 to 263.30.

## S Africa broadly weaker

Johannesburg was broadly weaker, buying interest evaporating after gold fell and the financial rand rallied on renewed speculation about its demise. The overall index lost 41.9 to 5,223.3, industrials fell 25.9 to 6,572.9 and golds gave up 43.6 to 1,532.1.

De Beers was 50 cents lower

at R31. Anglo lost R3 to R189 and Genor was 10 cents softer at R12.25. Coal shares were mostly better on expected improved contract prices for exporters. Amcoal rose R1 to R245 and Ingwe collected 90 cents to R27.50. Amic rose R3 to R190 on its sharply higher earnings report.

## EUROPE

## Bourses hit by currencies, downgrades, rumours

More currency turbulence, brokers' downgrades and rumours of trouble in German futures and options trading gave bourses another unhappy day, writes Carl Markovits in Frankfurt.

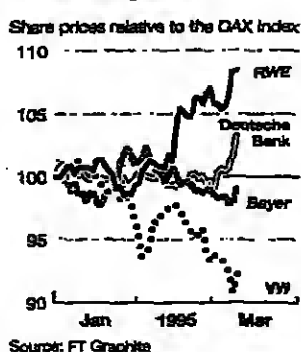
FLANKFURT registered even the modest extent of Thursday's post-bourse recovery and the Dax index, down 23.57 to 2,001.64 on the session, dived through 2,000 after hours to an intraday close of 1,989.20, down 2 per cent.

Turnover eased from DM5.3bn to DM5.1bn. The recent currency turbulence, coupled with the level of the IG Metall wage settlement, prompted Berenberg Bank to revise its estimates for the Dax constituents: 1995 prospective earnings per share, on a crude average, came out 6 per cent lower than on the bank's earlier estimates.

The forecast downward revision was 24 per cent for Volkswagen, which led the beleaguered automotive sector lower with a fall of DM14.20, or 3.9 per cent to DM346. BMW dropped DM28.60, also 3.9 per cent, to DM701.40.

Lufthansa, the flag airline, and Preussag and Deutsche Babcock in steel and engineering followed with Berenberg's expectations reduced by 22, 21 and 20 per cent respectively. The trio's shares fell by DM6 to

## German equities



DM181.50, DM17.50 to DM413.50 and DM12.40 to DM855.10.

Several of the defensives, banks, utilities and retailers came unscathed through the Berenberg revisions, once again, they fared better than average in share price terms yesterday.

PARIS dropped on the dollar's continued weakness and on two polls which put the Gaullist presidential candidate, Mr Jacques Chirac, ahead of the market favourite, the conservative prime minister, Mr Edouard Balladur.

The market had occasional bright spots, but they sparkled only fitfully as the CAC-40 index fell 29.68, or 1.7 per cent

to 1,727.07. For example, the car parts maker, Valeo, roared ahead in early trading on a 40 per cent rise in 1994 profits; but the shares closed just FF1.80 up at FF249 after a high of FF257.

Alcatel Alsthom also closed well below its FF400 high for the day, rising FF1.60 to FF393.10 on the view that the stock, depressed by a catalogue of woes, was intrinsically cheap. Meanwhile, the real mood of the day was expressed in a FF10.10 drop to FF331.30 in Lafarge, although the building materials group posted a 43 per cent gain in 1994 net attributable profits and looked forward to another good year in 1995.

The car assemblers, Renault and Peugeot, followed the lead of cyclical elsewhere and fell by FF4.80 to FF162.30, and FF13 to FF640 respectively. Also threatened by dollar weakness, Rhone-Poulenc fell FF3.40 to FF11.60 after Goldman Sachs turned its attention from carmakers, where it recently downgraded Volkswagen, to the European chemical industry.

ZURICH tumbled 2.2 per cent in volume that picked up from recent low levels as foreign investors judged the time right to cash in currency related profits. The SMI index fell 54.3

## FTSE Actuaries Share Indices

Mar 9		Mar 8		Mar 7		Mar 6		Mar 5		Mar 4	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	Mar 9	Mar 8	Mar 7
FT-SE 100	1248.87	1247.73	1248.21	1239.58	1237.87	1234.71	1227.00	1227.00	1248.87	1248.87	1248.87
FT-SE 200	1358.08	1355.69	1354.07	1327.13	1325.92	1323.18	1320.46	1317.43	1358.08	1358.08	1358.08

to 2,461.5, with analysts continuing to revise down company earnings forecasts for 1995.

Industrials suffering heavy losses in response to the weak dollar included Sulzer registered, SFR48 or 6.4 per cent down at SFR697, and Holderbank bearers which lost SFR34 or 4.1 per cent to SFR790.

Among blue chips, Roche certificates lost SFR135 to SFR400. Nestlé fell SFR45 to SFR113 and UBS bearers gave up SFR15 to SFR103, both pressured by expiring warrants.

Against the trend, Brown Boveri picked up another SFR17 to SFR1060 in further response to ABB's 1994 results which came in at the top end of expectations. In STOCKHOLM, Asea a rose SEK9 to SEK553 as the Alfa Romeo index dipped 16.6 to 1,439.9 in response to a weaker krona and bonds.

MILAN was lower on technical factors, dollar weakness and continuing political uncertainty. The Comit index lost 1.15 to 618.29, but the real-time Mibtel index finished 139 down at 9,780, as selling accelerated when the index dipped below support at 9,880.

Telecoms were sold by foreign investors, said to be nervous at the Mediobanca-led consortium's offer to buy out the state's stake in Stet to ease its privatisation. Stet ordinary shares fell L174 to L4,463 while the savings shares lost another L167 to L3,528 as investors speculated that no conversion would be offered under a Mediobanca deal.

Gemina, the financial holding company, lost L59 or 4.8 per cent to L1,161 after a press report that its publishing arm had lost more than expected last year.

Fochi, the troubled engineering group in urgent talks with

banks on fresh credits, tumbled L237 or 13 per cent to L1,593 as the absence of developments unnerved investors.

AMSTERDAM went up on the dollar's overnight gains, and slumped as the US currency lost its grip again, the AEX index peaking at 399.35 before closing 3.28 lower on the day at 392.71, setting its second consecutive 1995 closing low.

Investors were becoming nervous that the guilders, pegged to the D-Mark, was out-performing other currencies and making Dutch goods expensive in many export markets. However, financials were also out of sorts: ABN Amro fell 40 cents to F167.60 on results as expected. Fortis Amey by F12.90 to F17.10 and ING, following its Barings acquisition, by F11.30 to F178.30.

TEL AVIV extended its recovery to 8.7 per cent this month with the Mishkanim index up another 3.92, or 2.56 per cent to 157.84 in volume up from Shk62m to Shk93m. Yesterday's incentive was a 6.5 per cent gain in Teva Pharmaceuticals to Shk79.91 as the company moved closer to marketing a new multiple sclerosis drug, Copaxone, in the US and Canada.

Written and edited by William Cochrane and Michael Morgan

## ASIA PACIFIC

## Rebound in \$ lifts Nikkei as Hong Kong jumps 1.9%

## Tokyo

As the rebound of the dollar against the yen and higher future prices prompted bargain hunting and short covering, the Nikkei index closed moderately higher, writes Emilio Terazono in Tokyo.

The 225 average rose 141.77 to 16,763.08 after a low of 16,675.84 and a high of 16,892.32. Domestic brokers and retail investors sought construction stocks and issues linked to domestic demand, countering foreign selling of high-technology exporters.

Volume totaled 366m shares against 330m. Traders said that most investors remained cautious ahead of today's March futures settlements, as many market participants expect arbitrageurs to unload long positions.

The Topix index of all first section stocks rose 5.62 to 1,341.75 while the Nikkei 300 edged up 1.05 to 247.28. Gainers led losers by 661 to 289 with 193 unchanged.

In London, the ISE/Nikkei 50 index rose 2.72 to 1,055.59.

The fall in the dollar's decline against the yen relieved investors; it fell to a record level of Y89, but rebounded to the Y91 level on short covering. However, selling by exporters, looking to make forward agreements for the April-June quarter, was expected to limit any recovery above Y95.

Heavy electricals bounced back on bargain hunting by individual investors and dealers. Hitachi gained Y13 to Y848 and Fujitsu Y8 to Y795. However, some consumer electronics makers were lower on overseas selling, with Sony down Y70 to Y4,320 and TDK losing Y10 to Y4,020.

Construction companies were traded actively by private investors and brokerage dealers. Some investors were turning to the construction issues again as interest rose in domestic demand related stocks, unaffected by currency fluctuations. Sumitomo Construction rose Y26 to Y765, and Penta-Ocean Construction by

## Y16 to Y761.

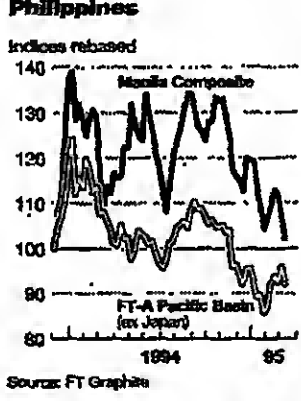
In Osaka, the OSE average rose 36.80 to 18,754.40 in volume of 181.8m shares. Shima Seki rose Y200 to Y5,650 but Murata Mfg declined Y40 to Y3,260. Autobacs Seven, a car parts maker, jumped Y340 to Y9,260, breaching the Y9,000 level for the first time in five trading days on buying by foreign and individual investors.

## Roundup

The firmer dollar had a positive impact in some regional markets.

HONG KONG received a late boost from demand for Hutchison amid speculation about a

## Philippines



covered warrant on the issue by a European brokerage house. The Hang Seng index jumped 146.8 or 1.9 per cent to 8,076.79 but turnover was a slim HK\$2.1bn compared with Wednesday's HK\$2.8bn.

Hutchison advanced 90 cents to HK\$31.60 while HSEB rose HK\$1.25 to HK\$19.25.

Utilities were also firm with their sectoral sub-index up 2.2 per cent. China Light jumped HK\$1.50 to HK\$36.90.

Haeco added to Wednesday's 14 per cent plunge with a fall of HK\$1.25 or 5.6 per cent to HK\$21 in further response to the disappointing 1994 results.

KUALA LUMPUR turned higher as foreign demand re-emerged for blue chips and plantations, regarded by many overseas investors as low priced. The composite index rose 16.16 at \$81.21 but volume

dropped to 125.8m shares against more than 160m on Wednesday.

SEOUL was higher for the seventh straight session as investors bought cars, shipyards and steel companies which are beneficiaries of the strong yen. The composite index added 3.67 to 943.75, after a downward technical correction during the session was overwhelmed by the strength of manufacturing stocks.

Pesco, the steelmaker, gained Won1,000 to Won61,800 and Hyundai Motor advanced Won300 to Won4,900.

SINGAPORE managed to recoup some of its early losses although brokers said that no real institutional buying was seen.

The Straits Times Industrials index closed 7.36 ahead at 2,070.74, recouping some of Wednesday's 1 per cent fall while the UOB OTC index, tracking Malaysian stocks, closed 21.53 or 2 per cent up at 1,082.60 as speculators continued to push stocks higher.

MANILA dropped 1.7 per cent to a 16-month low on broadly based selling initiated by foreign investors, the composite index closing 4.72 lower at 2,370.06 as volume firm to 1,770m shares worth 1.16bn pesos. The declining peso, and the possibility of another US interest rate rise were behind the decline.

BANGKOK'S SET index recovered 8.07 at 1,214.94, but Tipco Asphalt lost another

Bt13 to Bt170 after suspension as it strove to correct market talk about its losses.

TAIPEI reversed early gains to close below the 6,400 support level on market speculation that the central bank might soon raise the rediscount rate. The weighted index fell 37.71 to 6,388.36, turnover easing from T\$33bn to T\$28bn.

Textiles and financials were hit most severely. The most active stock, Eason Corp lost 50 cents at T\$33, and Medium Bank Kaohsiung plunged by the daily seven per cent limit to T\$140.50.

SYDNEY moved from strength to weakness in resources as the All Ordinaries index ended 5.7 lower at 1,877.5. Golds were primarily

responsible for resources weakness with the golds index closing 26.8, or 1.6 per cent lower.

Australia, the pay-TV operator, rocketed up 25 cents to A\$1.05 the announcement that News Corp, and the Australian government-owned Telstra Corp will acquire stakes in the company. Lend Lease, the property and financial services group, recovered 10 cents to A\$15.50 after being sold down after the replacement of its managing director.

SHANGHAI's domestic A shares index lost 2.6 per cent in a powerful technical correction after the heavy gains since the start of last week. The index lost 16,504 to 625,137. SHENZHEN's A share index was 3.2 per cent lower.

FT

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There are some good tests on the market. When tests are used wisely, perhaps in conjunction with assessment centres where applicants can be thoroughly tested in job simulation exercises, it is possible to find most of the qualities you are seeking.

The only difficulty with assessment centres is that they are time consuming and costly and are really only cost effective for large, usually graduate, intakes.

Ability tests are good at measuring a limited number of abilities such as numeracy and verbal reasoning but they are unable to cover a broad cross section of qualities and traits. Personality tests may highlight behavioural traits but they tend to depend on the honesty of the candidate and some have proved fickle to varying degrees.

Separately, all these components of effective recruitment would seem to have their limitations. However many tests you have at your disposal, none of them is likely to be effective if you have not identified what qualities you are seeking.

Leonard Kristal has a software package that he claims does the whole lot. He calls it a computerised human resource management system. From the evidence of a short demonstration, it looks as if he might have something special. It is not all his own work but was devised in a two-year collaboration with Prof Paul Bindler, a psychologist at the City University of New York. Prof Shlomo Breznitz, one of the world's leading authorities on stress management, of Haifa University, and an Israeli software programmer who has been involved in developing systems for Israeli Air Force pilots.

Kristal, a psychologist and former publisher, says that the Israeli connection was a crucial part of the development. Psychometric testing is an integral part of many recruitment practices in Israel, particularly in the military. Israeli matriculation results are only part of the qualification for university. They are assessed alongside performance in ability tests.

"Psychometrics in Israel are light years ahead of us," he says. "It is a part of their culture. They cannot

afford to make mistakes with the recruitment of fighter pilots, for example. They cannot afford to lose an aircraft."

In the past year, however, the system, called Powermatch, which is to be marketed by the Kristal Corporation, has been developed for recruiting spot traders (people who handle daily currency trades) in a program centred upon Bankers Trust.

The first job was to determine what qualities distinguished the best traders from the ordinary ones. Those familiar with the competency movement will know that much of the early development work in this field was carried out by David McClelland, a Boston-based psychologist whose system of determining competencies by interviewing good and ordinary performers in specific roles is used today by Hay/McBer, the management consultants.

The Powermatch system also sets out to identify competencies, but uses a battery of tests to sift out common traits or skills shared solely by the best performers. This provides a template which can be matched against job candidates who take other computerised tests that

measure the desired qualities. Kristal calls the process modelling and matching.

Whether this approach is the most effective is debatable. McClelland himself believes that using tests to identify required competencies is inferior to discovering them in an interview where people explain what they actually do.

The tests Kristal demonstrated to me were specifically designed to identify spot traders for Bankers Trust. Some, such as a spatial ability test, were familiar. Others were more like computer games.

One of them involved the appearance of dots, emerging like tiny stars on the screen. As more dots appear a figure begins to be distinguishable. As soon as the figure is recognisable, the candidate has to key in what it is.

The test is repeated with follow-on images. While some have a right or wrong answer, others behave differently. One image looked like a car so I wrote "car". But it continued to develop until it emerged as a tortoise.

This figurative test measures an array of abilities that previous anal-

ysis has identified as important or desirable qualities in a trader. Detecting change on a screen was seen as important. So was the ability to readily admit mistakes - a quality that may have been lacking in the trades that led to the collapse of Barings. The car which becomes a tortoise is an apparent mistake deliberately planted in the system to test the response of the candidate. Had the candidate written tortoise, the program would have created a final image of a car.

Another test has a screen scattered with the letters A and B, seemingly at random. Only more of one letter are in the upper than the lower half. The difference becomes increasingly obvious in successive images. The skill is to judge the split correctly as quickly as possible.

A more practical test simulates a trading screen, with fluctuating exchange rates for dollars and deutschmarks. The candidate has several minutes to either trade. The aim is to make the highest gains possible in five minutes with constantly changing rates. Identifying

patterns of falling or rising rates is useful here. The screen tests can be varied by removing the time indicator in one corner or - and this seems particularly cruel - progressively speeding up the clock to pile on the pressure.

Computer simulation tests are not new. British Airways has been running a computerised selection system for pilots for several years. Similar systems are also used in the US to select air traffic controllers. What seems particularly impressive about the Powermatch system is the sophistication with which it combines a whole array of testing measures and its adaptability for different types of job.

Kristal says: "I put in a call to the Test and County Cricket Board. I thought they might need help. If we could template the Ian Bothams of this world, it might revive the fortunes of the England team. They didn't call back."

He says, however, that the system was used successfully in an organisation seeking to fill a marketing vacancy. It was persuaded to look in-house instead of advertising or engaging headhunters.

There were 92 candidates from different parts of the company. The individual whose attributes most closely matched the profile for a successful marketing executive was a young telephone switchboard operator called Sally, says Kristal.

With the sort of fairy tale consequences that happened when the glass slipper was fitted to Cinderella, she was, as Kristal puts it, "yanked off the switchboard and put into marketing training". He adds: "The thing was that neither the management in the organisation nor Sally, for that matter, was aware of her real potential. This system was able to identify it."

One thing the system cannot do, as Kristal admits, is tell recruiters whether an individual will stay with the company - a perennial problem in trading rooms.

If this is the sort of sophistication that testing can now achieve, it would appear to have important implications for career development. Will managements be tempted to clone whole departments in the image of a successful trader? Will job matching in future be developed to such a degree that people receive classifications as to type? Aldous Huxley's Brave New World may be nearer than we think. For further information about Powermatch telephone Leonard Kristal 0171 483 1768.

Richard Donkin

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Leeds

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13 Park Square East, Leeds LS1 2LF.

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Lincoln Investment Management Limited is the rapidly expanding UK investment arm of Lincoln National Corporation. LNC has US \$42 billion of funds under management worldwide.

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You will head up a newly created Far Eastern department with responsibility for \$160 million in Japan and South East Asia. You will be a specialist in one of these areas, building and leading a team which will complement your own specialisation.

Lincoln National expects to produce outperformance through superior stock selection, and the insights of you and your team will be the determining factor in our performance.

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Reporting to the Senior Manager European Equities, your job will be to identify and evaluate potential investment opportunities in Continental European Equities. You can expect responsibility for a number of countries within Europe, and will need at least two years' relevant experience of fund management.

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You will analyse and report on the performance of Lincoln National funds, which will involve looking at portfolio dynamics, risk adjusted performance measurement and performance attribution. The main objective is to work with fund managers to help them to improve their performance. You will also play a central role in the asset allocation optimisation process, and will provide technical support for our use of derivatives.

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The person appointed may have a background in investment management or investment consultancy. Of much more importance will be a demonstrated ability to analyse financial issues with originality and to assimilate new information and ideas rapidly. He or she will have or will obtain a thorough, if critical, grounding in investment theory. The individual is likely to have at least a good degree in a quantitative discipline. He or she will be able to present persuasively both orally and in writing. The position is subject to IMRO training and competence requirements.

The position will be based in the City (and could suit job-sharers). In the first instance, please write enclosing a brief résumé to: Peter Stanyer, Investment Director, Railpen Investments, 55 Old Broad Street, London EC2M 1RX.



# Sales Person - Metals

## Global Banking Group

### Attractive Salary + Bonus Package

City

Rare opportunity for experienced salesperson to join Far East team of leading LME trading house.

#### THE COMPANY

- Global banking group. Headquartered in London.
- Prestigious non ferrous metals trading subsidiary.
- Performance driven, highly profitable metals business.

#### THE POSITION

- Key sales and client liaison role in specialist Far East team.
- Build and manage own client base. Support other team members.

- London based with need for regional travel.

#### QUALIFICATIONS

- Graduate. Fluent written and spoken Japanese essential.
- Must have several years' experience in LME traded metals, preferably gained in specialist Far East team.
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Please send full cv, stating salary, ref CP0946, to NBS, 10 Arthur Street, London EC4R 9AY



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- Worldwide banking group. Particularly strong in emerging markets.
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#### THE POSITION

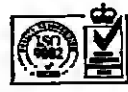
- Lead credit response to rapid market developments. Key role in senior management team.
- Responsible for quality, control and risk management of all consumer, card-product and business assets. Set strategy and direct implementation.

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- Highly numerate graduate with min 10 years' senior level experience in credit/risk management with high volume, full service, international consumer bank.
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Handelsbanken Markets

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Interested Candidates should submit a Curriculum Vitae to Betty Smithies at Toronto-Dominion Bank, Triton Court, 14/18 Finsbury Square, London, EC2A 1DB. All applications will be treated in the strictest of confidence.

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This is a senior position in an active dealing room which specialises in trading client's capital in the international currency, interest rate and equity derivative markets.

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We will provide an excellent remuneration package including performance bonuses, at a level which will attract the very best candidates. If you are interested please send your CV to our consultant, who will deal with your application in strictest confidence and will only release your name to Gandon with your permission.

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- ◆ UK banking group with strong international presence.
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#### THE POSITION

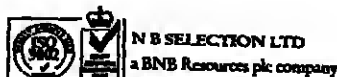
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The successful candidate will be a graduate calibre qualified Chartered Secretary, Chartered Accountant or have a legal qualification. He/she will have at least 5 years post qualification experience in company secretarial services and corporate work within a medium to large size PLC, and have excellent administrative and communication skills.

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- in possession of excellent written and oral communication skills.
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Write to Box A5056, Financial Times,  
One Southwark Bridge, London SE1 9HL

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- educated to university degree level.
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- aged between 25 and 45 years.

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An intensive period of training will be given, but in order to make immediate contribution to the business the successful candidate will ideally:

- Be able to demonstrate at least 5 years' experience in the financial sector with particular reference to the organisation and selling of private client portfolios.
- Be Threshold competent and work under IMRO rules, or equivalent.
- Have an in-depth knowledge of stock exchange investments.
- Demonstrate commercial flair, considerable tact and first class interpersonal and communication skills.
- Experience of Trust Law would be an advantage.

Although nominally based in Ipswich, the applicant will conduct business in all areas of the UK for which a car will be provided.

The post carries with it a competitive salary and benefits package to reflect the importance of the role.

Interested applicants should send full career details to: Miss S-J Hutchinson, HR Co-ordinator, Guardian Investment Holdings, c/o 84 Princes Street, Ipswich, Suffolk, IP1 1RY. Closing date for applications: 22 March 1995.



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## CARD MANAGER

Ambitious, self-directed, early to mid-thirties. Commercially astute, hands on, strong analytical skills. Creative, entrepreneurial and strategic thinker. Affinity with youth travel and a multi-cultural environment. Fluent written and spoken English. Communicative and able to motivate others. Not afraid of long hours and frequent travel. At least four years' successful experience in marketing, brand or product management, preferably in card-related or financial services or in the travel industry.

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Based at the International Secretariat in Copenhagen, the Card Manager develops:

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- Sales initiatives and support material
- Card benefits and discounts
- Card production and distribution

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THIS IS A CHALLENGING POSITION WITH A GENEROUS SALARY, NEGOTIABLE IN LINE WITH EXPERIENCE

#### CHISHOLM-ROTH

We specialise in the delivery of structured technical training programmes for traders, risk managers, and sales people in the securities industry. Most of our training involves the use of advanced computer simulations and derivatives models.

To help us service our expanding business in the UK and abroad we are seeking an experienced person to join our small team.

This is a high profile position, requiring good communication and interpersonal skills. The successful applicant will have a proven track record in our field of training or in a related area, probably with some market experience as well.

We offer an attractive remuneration package and excellent career prospects to the right candidate. Please send or fax your full CV by 17th March 1995 to:

Carolyne Locher, Administration Manager,  
Chisholm Roth & Company Ltd.,  
54 Warwick Square, London SW1 2AJ  
Fax: 0171 630 0163

## RESEARCH SALESMAN SPANISH EQUITIES

### London

The Société Générale group has a network of equity dealing businesses in Europe's main financial centres integrated under the name of Société Générale Equities & Derivatives (SGED).

Société Générale Equities International (London) is an important part of that network and is seeking to recruit an experienced research salesman to specialise in the Spanish equities sector. The post will involve:

- Servicing own UK, US, and Italian client base
- Provide own UK clients, London sales staff and group Research Analysts with daily market, political, economic and corporate comments for Spain
- Produce monthly Spanish stock and market commentary and corporate studies for UK client consumption

Candidates should have/ be:

- MBA graduate (preferably in Finance or Economics)
- fluent Spanish and Italian speaker with intermediate French language skills
- min 4 yrs experience in Spanish equities market
- strong, established, UK, US and Italian client base
- proven analytical and marketing skills

The role will be supported by daily contact with SGED's analytical teams throughout Europe and will aim to provide the highest quality service and advice on Spanish equity investment to clients.

For further details, please contact Head of Personnel, Société Générale Equities International Limited, Exchange House, Broadgate, London EC2A 2DD.



SOCIÉTÉ GÉNÉRALE EQUITIES & DERIVATIVES

Société Générale Equities International Limited is a member of the Securities and Futures Authority and the London Stock Exchange

## Corporate Finance - France

Mitsubishi Finance International, the London-based securities and derivatives subsidiary of The Mitsubishi Bank Limited, is active in the new issue Eurobond market, especially in the Euro Yen sector. The Corporate Finance team is responsible for originating fixed income products from a European client base and for marketing derivatives to selected clients.

We seek a fluent French speaker (ideally a French national) with a postgraduate business degree, to market the above products to French clients. Probably in your late 20s - early 30s, with ideally 5 years plus similar experience in a major Eurobond house, you have previously developed a client base in France. You have a proven track record of debt origination and execution of derivative transactions.

Please send CV and letter (no agencies please) to:

Rita Morris  
Personnel Manager  
Mitsubishi Finance International plc  
6 Broadgate  
London EC2M 2AA  
Fax: 0171 782 9150

Mitsubishi Finance International Plc

Member of the SFA and IMRO

## INTERCAPITAL REPOS

Intercapital is looking for a highly motivated experienced broker for its repo desk. Fluency in at least one European language or Japanese is important. A competitive remuneration package will be offered to the right candidate.

Please reply confidentially, in writing, to:  
Susan Calveley, Intercapital  
Repos, Park House,  
18, Finsbury Circus,  
London EC2M 7DJ.

## Investment Managers Czech & Slovak Republic Based

Investment Managers will be expected to have experience in deal origination, syndication, leading negotiations and supervising legal documentation of investments. They will also be expected to manage the existing portfolio and will report to the Investment Director. Venture capital, investment banking and corporate restructuring backgrounds are relevant and candidates will be expected to be highly motivated self-starters.

Salary will be commensurate to experience. Please respond by telephone or fax with full CV and salary details to:

Telephone: 00331 4289 6425  
Fax: 00331 4289 6427

## Bloomberg FINANCIAL MARKETS

### Sales Support

Russian Speaker

Based London

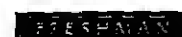
Bloomberg is a highly successful company with an excellent reputation as a leading supplier of screen based news information and decision support services within the international financial marketplace.

Expanding its European headquarters, Bloomberg has a vacancy for an account management/sales support executive of high calibre to grow with the company. Based in London you will provide quality service and support to Bloomberg customers in the Russian Federation.

Interested applicants must have an in-depth knowledge of the Russian securities markets, speak fluent Russian and have an appreciation of the application of technology based solutions within the financial markets.

Bloomberg is a young dynamic company and it is important that you are highly motivated with a commitment to developing your career within a demanding yet stimulating environment.

Apply to The Freshman Consultancy during office hours or send your CV by post or fax, quoting reference FT/M.



The Freshman Consultancy, Coppergate House, 16 Bruns Street, London E1 7NJ  
Telephone: 0171 721 7361 Facsimile: 0171 721 7362

## APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Sharkey, 044 171 873 4054

Stephanie Cox-Robinson +44 171 873 3694

Joanne Geisard +44 171 873 4153



## FIXED INCOME ORIGINATION

PaineWebber International (U.K.) Ltd is a major full service securities firm. Following the acquisition of Kidder Peabody's fixed income operations, we are now looking for an experienced professional to join the Capital Markets team covering Southern Europe.

The ideal candidate will have a successful track record in marketing, good existing relationships with recognised issuers and the capability of developing financial proposals for international corporations and banks.

Applicants should have a good degree, fluency in English and at least one other European language and excellent analytical and numerical skills. Exceptional presentation skills, both written and oral, are of utmost importance.

Please write, enclosing a detailed Curriculum Vitae, to: Personnel Department, Ref: CM1/RD, PaineWebber International (U.K.) Ltd, 1, Finsbury Avenue, EC2M 2PA.

**PaineWebber**

## DC GARDNER

### INVESTMENT MANAGEMENT: MANAGING CONSULTANT CAPITAL MARKETS/TREASURY: CONSULTANT

City based with frequent international travel

DC Gardner, a division of Euromoney and a leading provider of financial training is seeking a Managing Consultant to head up its new Investment Management/Equity Analysis unit and a Consultant to join its Investment Banking team.

Consultants at DC Gardner create and deliver highly tailored training programmes at all levels for financial institutions. Managing Consultants additionally head up a profit centre. Candidates for both positions will need to demonstrate a high level of technical expertise gained by several years front office experience in a dealing room or as a fund manager. Significant exposure to derivatives and a good academic background are essential. Although training experience is not a requirement candidates must have the personal enthusiasm and credibility to communicate technical expertise in an authoritative and professional manner.

These positions are likely to appeal to self motivated candidates wishing to embark on a positive career change yet capitalising on their previous market experience.

An attractive compensation and benefits package is offered. Please reply by March 24th with CV and stating which position you are applying for to: Bernadette Switensbank, DC Gardner Training, Nestor House, Playhouse Yard, London EC4V 5EX.

## INTERNATIONAL INVESTMENT STRATEGIST

Paris based

Our client, a well-known International Bank active in Private Banking, is looking for an International Strategist. Aged about 35, he will report directly to the General Manager and will be in charge of:

- Defining Asset Allocation recommendations
- Analysing and selecting international investment products (Fixed income, Equities, Currencies)

Fluent in both French and English, he will be graduated from an MBA (or equivalent) and will have 5 years experience in Asset Allocation, Financial Markets and Products Structuration.

An attractive package is proposed.

COR'EX - Cécile DEBELLEIX  
11, avenue Myron Herrick  
75008 PARIS - FRANCE.

**COR'EX**  
CONSULTING & RECRUITMENT

### DIRECTOR OF MANPOWER PLANNING

A prestigious international investment bank seeks an individual to develop their global manpower strategy across all markets and sectors, including an in-depth analysis of the technical skills required.

To be considered, you must have first hand practitioner experience of at least three product areas gained in a truly international context, combined with the relevant human resource competencies.

Please write to Box A5994, Financial Times,  
One Southwark Bridge, London SE1 9HL

## Civil Aviation Authority

The Civil Aviation Authority is a Government Business Enterprise responsible for the provision of air traffic services and safety regulation for Australia's aviation industry. The Government has announced the establishment of an independent Aviation Safety Authority in 1995 to perform the safety regulation function. The remaining services comprising air traffic, rescue, and fire fighting will remain the responsibility of the CAA (which will be renamed).

## Chief Executive Officer

The CAA is seeking to appoint a new Chief Executive Officer. This is a position of national importance because of Australia's reliance on efficient air transportation and the contribution it makes to the economy as a whole. Even after the separation of the safety regulation function, the organisation will have an annual turnover of more than \$500M and staff in excess of 4,000.

The successful applicant, who will be appointed as Chief Executive Officer of the CAA will:

- > Have demonstrated their management skills as a senior executive in a large technically complex organisation;
- > Be an effective communicator and leader able to handle issues in both political and consumer oriented environments;
- > Be able to create a good work environment and a strong management team;
- > Have commercial skills gained in either the private or public sector;
- > Take a strategic approach to the management of the organisation;
- > Display a confident knowledge of safety issues gained in aviation or a similarly complex industry.

The remuneration package will reflect the importance of this national role.

The initial appointment is for a term of up to five years and the location is Canberra. Qualified candidates are invited to apply in writing by 31 March 1995. Applications should be addressed to:

Mr Lynn R. Anderson  
Removal Services Associates Inc.  
Level 19, AMP Centre, 50 Bridge Street, Sydney NSW 2000 Australia  
THE CIVIL AVIATION AUTHORITY IS AN EQUAL OPPORTUNITY EMPLOYER

## ACCOUNTANCY APPOINTMENTS

## DEPUTY FINANCE DIRECTOR

Surrey / Sussex £50,000 + car

Our client is the key multi-sited operating division, with turnover of c £300m, within a large and successful service orientated blue chip plc. The company has experienced year on year increased profitability servicing a wide customer base.

The division now seeks to fill the new appointment of Deputy Finance Director who will report directly to the Divisional Finance Director and whose prime role, as his right hand, will be to upgrade and direct the implementation of a wide programme of change embracing stronger management information, financial controls and business support to the Divisional Board and operational line managers.

Candidates, probably aged mid/late 30's must be graduate accountants with a progressive career from a large company plc, embracing multi-sited operations. The appointee will have a strong background in management accounting, control and reporting in an operational environment with direct support for senior line management. The ideal candidate will be experienced in project control, large integrated financial systems and in activity related costing techniques. This role is exceptionally challenging, demanding persistence, energy and enthusiasm in a fast changing environment. Candidates with a hunger to lead conceptually and drive in practical solutions will relish this high profile challenge.

Please write enclosing full curriculum vitae quoting ref 636 to: Philip Cartwright FCMA, Cartwright Consulting, 3 Wigmore Place, Cavendish Square, London W1H 9DB  
Tel: 0171 371 9476 Fax: 0171 371 9478

**CARTWRIGHT CONSULTING**  
FINANCIAL SELECTION & SEARCH

### APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Sam Morris on +44 171 873 4027

Andrew Skarzynski on +44 171 873 4054

Joanne Gerrard on +44 171 873 4153

### Herts

This is an exceptional opportunity to join a well known UK group as their Group Finance Director. Working closely with other members of the Group Board, among your responsibilities will be helping to ensure that the company achieves its planned growth. This will be accomplished through strong financial planning and control and assisting in the identification and successful realisation of new business or project opportunities.

You will work alongside motivated directors who have a commitment both to the success of the group and to their individual areas of responsibility.

The role will encompass all financial and treasury functions together with financial systems, and a staff of over forty will report to the position.

You must be a graduate calibre chartered accountant and probably over 45, who already

over £100,000 + package

has board level responsibility in a substantial and profitable group. In addition to the general financial management skills you have developed, you should be able to demonstrate experience of corporate finance, developing successful banking relationships and financial systems.

Above all, you should be diplomatic, practical, mature in your outlook and able to work in a professional environment where the main proprietors are active managers of the business.

If you feel that your experience and personal attributes match this exciting brief, please send a copy of your CV with current salary package details and a recent colour photograph to Bruce McKay, quoting reference 3451, at Touche Ross Executive Selection, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

MANAGEMENT CONSULTANTS

## Financial Accountants

Newly/Recently Qualified ACAs c £32,000 + Car

Our client is an outstanding financial performer within the food, drinks and leisure sector. With a multi-billion pound turnover, a range of market leading brands and a dynamic business strategy, this is an extremely exciting time to join.

Following recent promotions they now require two new recruits to join the small, high profile Head Office financial accounting team. The team is responsible for the provision of routine and ad hoc financial information in support of the Finance Director.

The roles will involve extensive liaison with other Head Office functions and operating units. Tasks will include assisting with the planning, operation and production of the consolidated group statutory accounts, detailed analytical reviews, interpretation of accounting standards and the introduction and maintenance of group accounting procedures. You will also be required to advise and assist with projects of an ad hoc nature including acquisitions and disposals.

Candidates should be newly/recently qualified ACAs with 1 to 2 years post qualification experience and a good range of financial accounting skills.

The organisation has a strong commitment to staff development and training and they provide an excellent range of staff benefits. These are rare opportunities to fully develop your long term career potential within a leading PLC.

Interested applicants should send their CV to:

Andrew Fisher, Parkwell Management Consultants Ltd  
3 Catherine Place, Westminster SW1E 6DX. Tel: 0171 233 5207. Fax: 0171 233 5205

## SENIOR AUDIT MANAGER

Attractive salary plus car Surrey based

The Rank Organisation is one of the world's leading leisure and entertainment companies, with over 20 separate businesses and some 700 outlets in the United Kingdom, Europe and North America.

Rank's Internal Audit department represents a cost effective and professional service which provides Group and subsidiary management with an independent appraisal on the adequacy and effectiveness of internal financial controls. Reporting to the Director of Internal Audit, you will be responsible for motivating, co-ordinating and leading the Business Systems Audit team in providing audits of subsidiary head office functions and also corporate departments.

This is a high-profile role, requiring excellent communication skills, strong business awareness and excellent systems knowledge. Previous audit and staff management experience is essential, as well as a recognised accountancy qualification, preferably ACA. It is considered unlikely that candidates under the age of 30 will possess the necessary experience required. You will also need to be prepared to travel throughout the UK and overseas.

The benefits package includes a fully expanded car or car allowance, share options (subject to qualifying period), free medical insurance, permanent health insurance and a range of pension options.

Please send full CV, with current salary details to Neal Young, Personnel Controller UK, The Rank Organisation Plc, York House, 45 Seymour Street, London W1H 6BB.



**The Rank Organisation**

## BUSINESS FINANCIAL CONTROLLER

### A Catalyst For Change

Barclays is one of the largest financial service companies in the world, employing some 97,000 people. The Group comprises not only the UK retail bank but also the largest credit card company in Europe and a major investment bank as well as an insurance company, leasing and factoring companies, a unit trust business, and has offices in over 70 countries, in the European Union, Africa, the Caribbean, Asia Pacific and the USA.

In April 1994, Martin Taylor, the Chief Executive, orchestrated a re-organisation of the group with the purpose of refocusing the bank to more effectively meet its customers' requirements. This led to the creation of Group Operations and Technology (IGOT).

G.O.T. is a commercially focused multi-million turnover organisation, responsible for defining IT strategy for the bank. As a leading-edge provider of high level computer operations and network solutions, it is selling to a growing internal and external market.

The pace and depth of this change has necessitated the recruitment of a high calibre Business Financial Controller.

The scope for innovation and individuality clearly projects this role beyond the day-to-day management of a finance function. Reporting to the Financial Director and supported by a highly qualified team, you will be a key influence on senior executives in providing direction relating to business activities.

This includes control of:

- Financial issues relating to external business
- The changing cost base and its drivers
- Contract management
- Pricing of all products and services.

You will be a graduate calibre qualified Accountant, whose task-oriented, straight talking approach has marked you as a recognised achiever in a commercial environment. Your adept political skills, combined with a first rate ability to communicate with all levels of staff, will facilitate your desire to develop and impact on real business issues.

This role not only provides an excellent opportunity to move into a fast growth area, but you will be expected to develop further within Barclays Bank Plc. To reflect the quality of individual, the package will equate to c£60,000.

Please apply, enclosing full CV, to Andrew Mackie at Robert Half, Brook House, Spring Gardens, Manchester M2 2BQ, or telephone 0161 236 0101 (24hr answering service), alternatively fax your CV on 0161 236 1024.

As retained consultants, any CVs submitted directly to our client will be forwarded to Robert Half.

### CONTROLLER / TREASURER

Great Lakes Chemical Corporation, a Fortune 300 company, is looking for the Controller/Treasurer for its Hungarian Subsidiary, Chemol Rt.

Chemol is a group of companies involved in international trading with a turnover in excess of \$200 million and employing about 300 people.

The Controller/Treasurer is a member of the senior management team and has full financial responsibility for the Hungarian parent company and its international subsidiaries.

The position requires a highly motivated individual with relevant experience in a large US or UK Corporation. Fluency in English is essential and the ability to speak German or Hungarian would be an asset. You should be a qualified accountant with at least 5 years post qualifying experience and have a good working knowledge of EDP. Based in Budapest, you will benefit from a competitive full expatriate package. Promising career opportunities will be offered within the Great Lakes Chemical Group.

Please write providing a full CV including current salary to:

Great Lakes Chemical (Europe) Ltd.  
attn: Mr Peter Williams  
P.O. Box 44, Oil Sites Road  
Ellesmere Port  
South Wirral L65 4GQ

**Great Lakes**  
Chemical (Europe) Ltd.

### CHIEF ACCOUNTANT circa £30K

Eurolink Group Plc, fast-developing specialists in the supply of IT Human Resources (from contract consultants to fully managed outsourced projects) and with a turnover of £35 million within financial year 1994-1995, have a career opportunity for a young, dynamic, qualified accountant who, working with our Financial Director, will manage the Group accounts and implement SAGE software.

Essential to the role is 3-5 years relevant experience and expertise with SAGE or similar software. Please forward your CV with a covering letter identifying the importance of your application for this outstanding career opportunity to:

Anne Copeland, Human Resources Manager  
Eurolink Group Plc  
Blenheim House, 56 Old Steine, Brighton BN1 1NH  
Fax: 01273 778464



Excellent  
Package

## THE BODY SHOP

Littlehampton,  
SussexGlobal Sales  
General Manager, Finance and Franchising

The Body Shop is a unique concept which now comprises 1213 stores in 45 countries with worldwide retail sales of almost £500 million. This position represents an exceptional opportunity for a talented finance professional to play a key role supporting sustained growth and development of the brand and global network.

## THE ROLE

- Reporting to the Board member responsible for global sales and functionally to the Group Finance Director, responsible for providing a commercially-focused financial management and control service including liaison with head franchisees on all financial matters.
- Managing financial and commercial aspects of corporate development, including reviewing financial performance of franchised and owned retail networks worldwide, and evaluating new territories.
- Advising and representing the head franchisees on operational matters, analysing local pricing and systems issues and generating workable solutions.

## THE QUALIFICATIONS

- Highly commercial graduate ACA/MBA with a first-class track record of applying financial control in a fast-moving, expanding yet maturing global business. Experience in retailing and understanding of international franchising concepts advantageous.
- Gifted relationship builder with special interpersonal skills and strong work ethic. International in perspective and knowledgeable of global socio-economic trends and issues.
- Pragmatic, sensitive and determined team player. Motivated by stretching personal and business objectives. Self-starter attracted to a dynamic culture that rewards initiative. Prepared to travel regularly from a UK base.

Leeds 0113 2307774  
London 0171 493 1238  
Manchester 0161 499 1700

Selector Europe  
Spencer Stuart

Please reply with full details to:  
Selector Europe, ref. 1449774, 14 Cornhill Place, London EC3A 3BP

c. £65,000 package  
+ benefits

Quoted Plc

London

## Group Financial Controller

Excellent opportunity for a first-class financial professional within a revitalised plc with a portfolio of successful businesses across the UK, Europe and North America. Working closely with and deputising for the Group FD in the financial management and control of the group, with a strong commercial focus, requiring regular visits to subsidiaries and involvement with the top management team and the acquisition programme.

## THE ROLE

- Responsible for all statutory and management reporting and control. Overseeing the annual planning and budgeting cycle and maintaining technical accounting excellence within the group.
- Managing the highly-qualified, small central finance team and providing guidance to the overseas financial controllers. Enhancing management information systems, refining both the analysis and presentation of information.
- Conducting business evaluations, capital investment appraisals and assisting on varied projects. Developing a knowledge of the international markets, so as to contribute to the strategic and business thinking.

## THE QUALIFICATIONS

- Technically excellent ACA, with analytical skills and experience at the centre of an international group, including the monitoring and consolidation of the results of overseas subsidiaries.
- Excellent at leading and motivating a team, setting priorities and high performance standards. MIS literate, with fluency in French and/or German an advantage.
- Intellect and flexibility to learn quickly and take on greater responsibility, contributing across a broad front to the success of a business.

Leeds 0113 2307774  
London 0171 493 1238  
Manchester 0161 499 1700

Selector Europe  
Spencer Stuart

Please reply with full details to:  
Selector Europe, ref. 1449774, 14 Cornhill Place, London EC3A 3BP

## Finance Professionals

Our client is a world renowned manufacturer of high quality consumer durables. Its UK business is responsible for sales and distribution of the full range of products and turnover exceeds £0.5 billion. Rapid growth and recent changes in management have created the need for more sophisticated reporting and two new, key members of the finance team are now required.

## Finance Manager

c.£40,000 + Car &amp; Benefits West London

## THE POSITION

- Full responsibility for financial management of £400 million turnover division.
- Strong commercial remit. Build relationships with operational management to promote excellence in financial matters.
- Specific brief to improve forecasting and management reporting. Facilitate incisive information flow to strict deadlines.

## QUALIFICATIONS

- Qualified accountant, aged 30+. Commercially and technically strong. IT literate.
- Minimum 5 years' experience of financial and people management from large, tightly controlled organisation.
- Confident and results-driven with first class communication and influencing skills. Stature to be credible at all levels.

Ref: P104S

Please send full cv, stating salary, quoting relevant reference, to NBS, 54 Jermyn Street, London SW1Y 6LX

## Financial Accountant

c.£35,000 + Car &amp; Benefits West London

## THE POSITION

- Broad-based exposure to all areas of financial accounting, including taxation, treasury control and accounts payable.
- Manage and motivate a small team. Build relationships with external advisors.
- Drive improvements in systems, procedures and internal controls to meet the changing needs of the business.

## QUALIFICATIONS

- Technically strong ACA, age 27-35. Big 6 background. Ideal first move from the Profession.
- Robust yet diplomatic. IT literate. First class leadership and communication skills.
- Highly motivated. Ambitious for further development.

Ref: P1049

NBS SELECTION LTD  
a BNB Recruitment plc company

NBS

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Aberdeen 01224 638080 • Birmingham 0121 233 4656  
Bristol 0117 929 1142 • Edinburgh 0131 220 2400  
Glasgow 0141 204 4334 • Leeds 0113 245 3830  
Manchester 01625 539953 • Slough 01753 819227

BUSINESS  
ANALYST

## Manufacturing

South West

£40,000 Package

Our client is an extremely fast growing subsidiary of a world leader in the design, manufacture and sale of communications equipment. The Group has a 60% world-wide market share, sales of US \$170 million and is quoted on the NYSE.

To perpetuate this growth across its European markets and to strengthen its breadth and depth of analytical expertise, the Company is seeking to appoint a commercially minded, strategically driven professional, to this new role, who will contribute strongly to its future growth and development. Reporting to the Manager - Finance and Administration - the role will focus on performance, measurement and analysis, together with the development of quality costing and project management mechanisms.

Candidates should be highly commercial Graduate Accountants/MBA Qualified who can demonstrate a record of achievement within a multinational company. A strong ambition for a role offering front-line business exposure and career development will be expected.

Interested candidates should write promptly, enclosing a full curriculum vitae, quoting reference 011068 to Debra Spurway at Harrison Willis, West India House, 2-4 Welsh Back, Bristol BS1 4SS.

HARRISON  
WILLIS

FINANCIAL SERVICES  
CONSULTANTS

BRISTOL • BIRMINGHAM • BOSTON • CARDIFF • DUBLIN • GLASGOW • LONDON • MANCHESTER • NOTTINGHAM • READING • ST ALBANS • SHEFFIELD • WIDEBOROUGH

## Group Finance Director

Excess £150,000

- Mid 250 Plc
- IT Systems and Software
- Worldwide operations
- Thames Valley based

An outstanding individual is required to head up the complete finance role at Group Headquarters. We are looking for an intelligent, commercial accountant who will have the necessary experience to meet the high demands of this position. The company is well known, well established and successful.

Please apply with full CV to: Box A5053, Financial Times, Number One, Southwark Bridge, London. SE1 9HL.

## FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Sam Morris on +44 171 873 4027

Price Waterhouse

EXECUTIVE SEARCH &amp; SELECTION

## Finance Director

Package to £70,000 + benefits Bristol

A real chance to influence change

## A successful business...

Although we say it ourselves, we're quite a success story: a £1 billion turnover division of a major plc, we have enjoyed ongoing improvements in profitability and market share. We're the single largest business in our sector in the UK with an enviable range of market leading products. We're also recognised as the leading-edge technology player enabling us to supply, through our 40 locations, the highest quality product to our nationwide customer base.

## Still going through change

As our Head of Finance and a key member of the Divisional Board, we'll be looking to you to help drive our efficiency up and our costs down. We want you to review our IT provision and review our management information systems. We want you to empower local finance staff at our manufacturing and distribution centres, particularly with a view to improved working capital management. We want you to contribute to the general management of the division, developing strategy and challenging ideas. Importantly, we'll be giving you the chance to really make a difference, to put your plans into action.

## Change you can drive...

A graduate qualified accountant, you will be able to demonstrate considerable experience of multi-site manufacturing and distribution, ideally in a semi-autonomous environment where matrix management is key. Your track record is blue chip and may include working at divisional level - although we'd quite like to give you the chance to step up to this role. You have driven change, particularly in IT, and you're temperamentally suited to a lean culture where "hand-on" means "get on with it".

## Success you can share

If you can convince us that you're right for the job we'll reward you well. Excel in the role and we'll want to make the most of you, probably as a general manager elsewhere in the group. The first step down that road is to write to Mark Hartsborne at the address below, quoting reference D/0056, and making your case. Alternatively, call him on 0121 232 2225 for a confidential discussion. Executive Search & Selection, Price Waterhouse, 19 Cornwall Street, Birmingham B3 2DT.

## Corporate Treasurer

## Major Financial Services Group

circa £50,000 + Bonus, Car &amp; Benefits

London

Ideal development opportunity for top class professional seeking broader management experience in the Treasury field.

## THE COMPANY

- Highly profitable subsidiary of major international banking group. Market leader in its own right.
- Investing heavily to enhance pre-eminent market position. Expanding European operations.
- Upgrading Treasury and related activities to gain significant competitive advantage for the group's asset generating units.

## THE POSITION

- Spearhead the strategic development of both a dynamic externally focused funding operation and an internal Consultancy Service.
- Initiating and managing cross-functional projects to develop the group's funding infrastructure.

- Mainline relationships with providers of funds. Liaise with Group marketing units, adding Treasury experience to help identify new added-value opportunities.

## QUALIFICATIONS

- High calibre graduate, preferably ACT qualified. Broad corporate treasury or consultancy experience.
- Strong business management perspective with first class analytical and communication skills. Must be able to manage change.
- Self-motivating. Keen interest in developing Treasury's contribution in its wide sense to the management of this diverse group.

Please send full cv, stating salary, ref IN2644, to NBS, 54 Jermyn Street, London SW1Y 6LX

NBS SELECTION LTD  
a BNB Recruitment plc company

NBS

LONDON 0171 493 6392  
Aberdeen 01224 638080 • Birmingham 0121 233 4656  
Bristol 0117 929 1142 • Edinburgh 0131 220 2400  
Glasgow 0141 204 4334 • Leeds 0113 245 3830  
Manchester 01625 539953 • Slough 01753 819227

FINANCE DIRECTOR  
(M.D. DESIGNATE)

O.T.E. £42,000 + BENEFITS

WEST LONDON

FOR TWO COMPANIES WITH STRONG GROWTH

The Samuelson Group plc supplies the film, television, conference and theatre industries around the world, and has achieved substantial success in 1994.

We need to recruit a successor to the FD. for two of our West London companies, with the intention of the candidate taking over as Managing Director in due course.

We are looking for a Graduate ACA, probably 35-45 with substantial I.T. knowledge and a proven record of strategic planning based on good financial analyses. Some experience of other aspects of general management - sales, marketing, site, asset control and Health and Safety legislation would be valuable.

We offer a substantial basic salary, bonus and executive car in two exciting companies that will enjoy strong growth over the next three years.

Please send full CV to:

Sarah Guinness, Samuelson Group plc,  
c/o 13 Field Way, Bristol Road, Greenford, Middlesex, UB6 8UN.



# MAJOR UK BANK HEAD OF SETTLEMENTS, TREASURY OPERATIONS

LONDON

£COMPETITIVE

Our client is the wholesale banking subsidiary of a major UK Banking Group. Business areas include global funding, liquidity management, risk management, investment, large ticket leasing and the provision of innovative structured transactions for highly rated borrowers.

Continued expansion and internal promotion have resulted in an opportunity for a successful operations professional to join the company in the role of Head of Settlements, a key member of the management team of the Treasury subsidiary.

Responsibilities will include:

- Development and implementation of a settlements strategy to meet the changing demands of the Treasury subsidiary;
- Enhancing functionality of the department by recommending improvements to existing settlement systems and designing and implementing new systems where appropriate;

- Managing external relationships with Bankers and Global Custodians, Issuing and Paying Agents to ensure that value added services and financial efficiency are provided;
- Developing opportunities for enhancing the company's income through current and new business ventures;
- Ensuring the business recruits, trains and develops the calibre of staff necessary to meet the future plans of the settlement function and the business as a whole.

The successful candidate will have at least five years' experience within an operational environment, with a detailed understanding of all treasury products (particularly bonds and derivatives) and their settlement requirements on a worldwide basis. Managerial skills will be essential in driving the settlements business forward; hence, candidates will need to have a proven track record of managing projects, budgets and people. Additionally, strong interpersonal

and communications skills will be needed in dealing with staff at all levels and when representing the company in negotiations with external parties.

You are likely to be a graduate with a hands-on approach, as the role requires a high level of intellectual flair combined with an ability to absorb information both quickly and accurately. A strong understanding of treasury and settlement systems is a prerequisite as the company is looking to upgrade and develop its IT to meet the changing demands of the business.

Interested applicants should contact Rachel Brown on 0171 379 3333. Alternatively fax (0171 915 8714) or send a current cv to her at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.

ROBERT WALTERS ASSOCIATES



## MANAGER FINANCIAL CONTROL AND SYSTEMS

North West

c £40,000

Our client is a leading manufacturer in its field with operations throughout Europe. The UK business enjoys turnover of approximately £100 million and has ambitious growth plans.

The Manager Financial Control and Systems will report to the Finance Director and will assume responsibility for management reporting, cost control and systems and computers. Of prime importance will be the conduct of strategic analysis of the company's various operations to ensure best practice is being employed and that business is being conducted efficiently and in a cost effective manner. Another key area will be the management and development of the company's computer systems.

To be considered for this position you will be a qualified accountant with several years

of financial management experience gained in a manufacturing organisation, well developed analytical abilities and good business sense. Previous experience in systems development and the production and interpretation of management accounts will be essential.

This is a new position with excellent career potential. The company is located in beautiful countryside in easy reach of several major centres. Relocation assistance will be provided.

Please send a comprehensive cv stating your current remuneration package and quoting reference 3452 to Frances A Bell, Touche Ross Selection and Search, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.



MANAGEMENT CONSULTANTS

Touche  
Ross

## HTU Hanseatische Treuhand-Union GmbH Wirtschaftsprüfungsgesellschaft, Hamburg

Wir sind eine angesehene Beratungsadresse mit internationalen Verbindungen und anspruchsvollen, vorwiegend mittelständischen Mandanten.

Unser Büro liegt in der Innenstadt von Hamburg.

Für den Ausbau unserer internationalen Beziehungen sowie zur Verstärkung unseres Prüfungsteams suchen wir einen

Jungen und engagierten  
Chartered Accountant/C.P.A.

Wir bieten einer begabten, hochmotivierten Dame oder einem Herrn mit guten Deutschkenntnissen in Wort und Schrift, die/der einen Universitätsabschluss, C.P.A.-Qualifikation und Berufserfahrung in der Abschlussprüfung mitbringt, einen interessanten und entwicklungsreichen Arbeitsplatz.

Wir erwarten von dem Bewerber, die Bereitschaft auf Dauer in Hamburg zu leben und die Motivation seine Ausbildung durch Ablegung der deutschen Berufsprüfung zu vervollkommen, um sich so als Führungskraft zu qualifizieren.

Wir bieten:

- die Chance für den Einstieg in die hochqualifizierte Abschlussprüfung sowie die berufswirtschaftliche Beratung mittelständischer Klienten
- anspruchsvolle Sonderaufgaben für unsere international tätigen Mandanten
- gute Aufstiegschancen bis zur Führungsebene
- alle Möglichkeiten der praxisbegleitenden Berufsbildung
- leistungsgerechte Vergütung
- Mitarbeit in einem jungen Prüfungsteam.

Wenn Sie Interesse an dieser aufstiegsorientierten Herausforderung haben, senden Sie bitte Ihre vollständigen Bewerbungsunterlagen in deutscher Sprache unter dem Kennwort R.F. an unser Personalreferat Lawrence Graham, 190 Strand WC2R 1LN. Die Einhaltung absoluter Diskretion ist selbstverständlich.



## Financial Director Designate

C. £35K + EXECUTIVE BENEFITS

The Celebrated Group is a successful and dynamic hotel and restaurant company whose Head Office is based in Buckinghamshire. Due to planned growth we now require a Financial Director Designate to complement the existing management team.

Reporting directly to the Managing Director, you will be aged early 30s and be a Chartered Accountant. You will possess excellent communication skills, have a thorough understanding of computerised accounting and a "hands on" approach to management. Knowledge of the catering business is desirable, but not as important as experience of working within a results-orientated service environment. In addition to possessing a strong commercial flair, you will also be a self-starter.

You will be expected to take complete responsibility for the finance function, this will include reporting meaningful financial and management information, developing computer systems and advising management on all financial aspects of the business.

If you believe you have the ambition and enthusiasm to succeed in this exciting environment, then please write enclosing full personal and career details quoting reference FT700 to C Tucker Esq, Managing Director, The Celebrated Group, 100A High Street, Burnham, Buckinghamshire SL1 7JT.

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## APPOINTMENTS WANTED

### FINANCIAL EXECUTIVE

Chartered Accountant FCA  
Available for Assignments

- Track record of achievement
- French, German, Spanish, Italian
- Dynamic, committed; teamplayer

TEL/FAX: LONDON  
+44 (0) 171-586-9310

## Finance & Treasury Major Investment Bank

ACA/ACT

To £70,000

Our client is one of the world's most powerful and prestigious financial institutions and a pre-eminent force in global securities markets. Expanding business volumes and increasing product complexity are providing considerable challenges for the treasury support group which now seeks to identify a high calibre treasury professional to join the management team.

Running a team of c.8 staff, you will be responsible for the management and development of the firm's treasury and financial risk management functions. This will include treasury performance benchmarking, enhancement of risk management mechanisms, funding control, p & l analysis and ad hoc financing projects as required.

Ideally a qualified accountant, you will have had at least three years' exposure to treasury management and an understanding of liquidity, interest rate and currency risk, funding management and of the products associated with these. You will have excellent communication skills and the maturity and credibility to deal with traders and senior management, as well as the ability to instigate and manage change. Compensation is unlikely to be a limiting factor and superb opportunities exist for career development.

Please write to Suzie Munné quoting reference 345 and enclose a full Curriculum Vitae, which includes contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street,  
London EC4M 9BJ



Tel: 0171-248 3653  
Fax: 0171-248 2814

## Cadbury Schweppes

# EUROPEAN PLANNING CONTROLLER

Providing a Focus for the Future

Schweppes Europe comprises the European soft drinks business of Cadbury Schweppes Plc. It operates through several company owned bottling operations, a joint venture in Germany and major franchise agreements in Central and Eastern Europe.

ENGLAND

c. £45,000  
+ car & full  
relocation

Due to internal promotion this key financial management position has become available at the head office of Schweppes Europe in Watford, near London. Reporting to the Financial Director, you will be responsible for managing the total budgeting, forecasting, and long range planning processes for all areas of the business. Success in this role will require an outstanding professional with a strong eye for detail, strategic planning skills, and an ability to influence and add innovation to the commercial direction of the European businesses. The successful candidate should have:

- a degree, MBA or recognised accountancy qualification
- minimum 5 years operational finance experience ideally gained within a large international company structure,
- either within the UK or elsewhere in Europe
- good spoken English and at least one other European language
- ability to influence across cultures and functions
- astute commercial outlook

Schweppes Europe is a dynamic organisation with outstanding career opportunities in Europe or beyond for those who rise to the challenges.

Interested candidates should apply in writing, enclosing a CV and quoting ref. no 2110 to Fiona Davidson at the following address: Nicholson International (Search and Selection Consultants), Bradon House, 34-36 High Holborn, London WC1V 6AS, fax no: 0171 404 8128. Alternatively call first for an initial discussion on 0171 404 5501.

Australia Belgium China Czech Republic France Germany Holland Hungary Italy Poland Romania Russia Spain Turkey



NICHOLSON  
INTERNATIONAL

## NEVILLE RUSSELL

Chartered Accountants



### ASSISTANT FINANCE DIRECTOR

Excellent Salary + Benefits Package + Relocation + Tenerife,  
Canary Islands

Our client is a well-established resort management group in Tenerife with over 500 employees. It currently manages 5 resort complexes with over 3,000 rooms. It also operates bars, restaurants and other leisure facilities in Tenerife. The group is embarking on an expansion programme and wishes to strengthen its management team by recruiting an ambitious Assistant Finance Director. Reporting to the Group Finance Director, the successful candidate will work as an integral part of the senior management team.

#### Role

- Responsibility for all Group management and statutory accounts and consolidations;
- Responsibility for preparation of all Group budgets, forecasts and cash flows;
- Treasury management;
- Review and implementation of systems and procedures and internal audits;
- Assisting Group Finance Director in legal and tax matters and special projects.

#### Candidate

- Qualified accountant with commercial experience gained in an international organisation;
- Fluent in English and Spanish;
- Technically able with multi-currency consolidation experience;
- Extensive computer and systems experience;
- Experience of having worked in Spain would be an advantage.

Please write with full personal, career and salary details to:  
Cameron M Clark, Neville Russell, Chartered Accountants,  
Prima House, 267 Banbury Road, Oxford, OX2 7YA

## NEVILLE RUSSELL

Chartered Accountants



### FINANCIAL CONTROLLER

c. £40,000 + Package

London W1

The London based corporate office is part of an international organisation with operations in the UK, US and Spain. The organisation comprises a number of businesses in the commercial real estate, resort and hotel operations and property development fields.

A technically-able hands-on Financial Controller is required for this group finance function with a complex operating structure.

#### Main Responsibilities

- Preparation, review and on-going development of all group management reporting, budgets, forecasts and cash flows;
- Preparation of statutory accounts and liaising with external auditors;
- Supervision of a small accounts team;
- Review and implementation of systems, procedures and internal audits;
- Assisting FD with legal and tax matters and special projects.

#### Candidate

- Chartered Accountant with at least 3 years PQE;
- Experience in an international multi-site organisation;
- Computer literate and technically excellent with multi-currency consolidation experience;
- Effective communicator with ability to gain respect at senior level;

Please write with full personal, career and salary details to:  
Cameron M Clark, Neville Russell, Chartered Accountants,  
Prima House, 267 Banbury Road, Oxford, OX2 7YA

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